

1                   USDA/USTR  
2                   WTO LISTENING SESSION  
3                   UNIVERSITY OF DELAWARE  
4                   MITCHELL HALL  
5                   NEWARK, DELAWARE

6                   July 23, 1999  
7                   Friday, 9:15 a.m.

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15 Before:

16           W. DONALD CLIFTON, State Executive Director  
            USDA Farm Service Agency  
17           JOHN F. TARBURTON, Secretary  
            GUS SCHUMACHER, Under Secretary, USDA  
18           TERESA HOWSE, U.S. Trade Representative  
            AMBASSADOR MARC BAAS, State Department

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WILCOX & FETZER  
1330 King Street - Wilmington Delaware 19801  
(302) 655-0477

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1           SECRETARY TARBURTON: Good morning, ladies  
2 and gentlemen. My name's Jack Tarburton. I'm the  
3 Delaware Secretary of Agriculture and on behalf of the  
4 University of Delaware, I'd like to welcome you to the  
5 campus of the University of Delaware for this World Trade  
6 Organization listening session. And for making these  
7 arrangements, I would like to first thank Dr. Dave  
8 Roselle, the president of the University. And sitting  
9 back here is Dr. John Nye, who is the Dean of the College  
10 of Agriculture and Natural Resources. Thanks, John, for  
11 helping make these arrangements.

12           Some other staff, certainly, should be  
13 thanked for all these arrangements. Ann Fitzgerald is at  
14 the back corner. Please call upon her for anything you  
15 may need this morning. My secretary, Brenda minor;  
16 Phyllis James is in the yellow blazer in the back; Debbie  
17 Whitmore and Dr. Garvin Quinn certainly have helped make  
18 this, we are going to call this a successful listening  
19 session right here as we speak.

20           Finally, I wish to thank the United States

21 Department of Agriculture and the United States Office of  
22 the Trade Representative for conducting these listening  
23 sessions. It's quite characteristic of this  
24 administration to involve the public in what has largely

1 in history been pretty much perceived as a closed or an  
2 insider process. And I want to commend both of these  
3 organizations for this listening session opportunity.

4           We're here today to listen to people, to  
5 the concerns of people who produce and ship agricultural  
6 products around the world. Just as an opening, I'd like  
7 to caution the speakers about the use of jargon. There  
8 is a psychedelic barrage of colors applied to various  
9 boxes of issues. There's a green box, there's a yellow  
10 box. There's an issue called early harvest. And I would  
11 just ask the speakers to make the audience aware of what  
12 it is they're talking about prior to the use of some of  
13 this jargon.

14           Now, it's my pleasure to introduce my boss,  
15 Governor Carper who is very aware of maintaining a  
16 positive business climate in the state of Delaware as  
17 much of the agricultural production, a good 20 percent of  
18 the agricultural production in this state is exported.

19           The most recent example of being able to  
20 maintain this positive business climate has been recently

21 in the press with the snagging of the Astra Zeneca world  
22 headquarters. We also follow a philosophy of grow your  
23 own, and that's exemplified by the decision of ILC, the  
24 International Latex Corporation, to remain in Kent

1 County.

2           Among many of his claims to fame includes  
3 he has been an extremely successful politician. He's  
4 been winning elections since 1976 and, in fact, has won  
5 more state-wide elections than any politician in the  
6 state of Delaware.

7           Currently the President of the National  
8 Governors' Association, please rise and join with me in  
9 well coming my governor, Thomas R. Carper. Thank you for  
10 joining us.

11           GOVERNOR CARPER: Please remain standing.

12 I'm just kidding.

13           Good morning, everybody. Thank you very  
14 much, Jack, and to all of our guests who's come from far  
15 and near, those whose names are August, those who hold  
16 the rank of ambassador, those who come from Wisconsin.  
17 Looks like we got a bunch of people here who hail from  
18 Colorado and Texas. We have some folks who came up from  
19 Sussex County. We've got a couple people from Kent  
20 County. We've got people who run this University and we

21 thank you very much for being here. Got some people here  
22 who are leaders in our major farm organizations. We've  
23 got some people who are just looking for a place out of  
24 the heat.

1           I first sat in this room 25 years ago. I  
2 sat right about where John Pastor is sitting. John,  
3 would you raise your hand? Right about where John Pastor  
4 was sitting. I was a graduate student here at the  
5 University of Delaware. I was 27 years old. I just had  
6 gotten out of the Navy, been a naval flight officer  
7 during the Viet Nam war and came here to get a masters  
8 degree in business administration. It was ... of  
9 producing was going on here on a Saturday night and I  
10 came to see it and was with a gal who knew a professor at  
11 the University of Delaware who was interested in running  
12 for Congress later that year. And he, the fellow who was  
13 interested in running, was sitting right behind us, he  
14 and his wife. And he was interested in running against  
15 then Congressman Pete DuPont.

16           And I met Jim Soles, who was, was and still  
17 is a great professor here at the University of Delaware.  
18 And he later ran against Pete DuPont and ended up needing  
19 a treasurer and fund-raisers. It was kind of a  
20 children's crusade. A lot of young people ending up in

21 the campaign and I ended up being one of them.

22           Just to show you how good I was, the

23 campaign sort of got started late in summer of '74. Just

24 to show you how good I was at raising money, in August we

1 had to report our financial disclosures and everything to  
2 the federal election commission. Pete DuPont's the  
3 fellow who didn't have any trouble raising money, as you  
4 might imagine with a name like that.

5           The beginning of August when we reported  
6 our financials, he had earned more in interest income  
7 from his campaign treasury than we had raised. And my  
8 man Soles went on to win a moral victory but not to win  
9 an electoral victory.

10           That was my introduction to Delaware  
11 politics. It literally started in this room. So I feel  
12 real special this morning just to be back here.

13           The other thing I want to just tell you, a  
14 quick story. This is a listening session and I'm going  
15 to talk just a little bit here at the beginning and I'm  
16 going to stop talking and hopefully I'll have a chance to  
17 listen. My father used to say God gave us two ears, one  
18 mouth, use them in that proportion. And it's pretty good  
19 advice.

20           I want to tell you a story that pertains to

21 listening. It's about a baby that was born and when the  
22 baby was born, everything worked normally but the baby  
23 had no ears. The baby could hear but the appendages  
24 right here that we call ears weren't there. And that

1 didn't deter the baby. The baby grew up, went to school,  
2 got an education, did fine in school. Graduated from  
3 high school on to college, did well in college. And  
4 ended up getting a job with a good company and worked his  
5 way up to a management position. And all this without  
6 having these appendages we call ears.

7           The time came he had to fill a vacancy in  
8 his department and he asked the human resources people to  
9 send him three well-qualified people. He said I'll  
10 interview the three finalists and we'll pick one out of  
11 the three. So they arranged one day for him to interview  
12 people. And the first fellow came in for an interview  
13 one morning and they talked for half an hour or so and at  
14 the end of the interview, the manager said to the fellow  
15 being interviewed he said, "I just want you to look at me  
16 one more time, look me in the eye and check me out top to  
17 bottom and tell me, do you see anything different or  
18 unusual about me?"

19           The fellow looked at him, he said, "Well,  
20 you don't have any ears."

21           And the manager became very irate, very  
22 upset and said, "That's one of the most insensitive  
23 things anyone could ever say to me. I'm going to ask you  
24 just to leave. There's no way I would hire somebody with

1 your insensitivity to work on my team." The guy left.

2           Later that morning, the second person came  
3 up, a woman. And he interviewed her and the interview's  
4 going well. Get to the end of the interview and he asked  
5 her the same question he asked the first guy. "Look me  
6 in the eye and check me out top to bottom, tell me, is  
7 there anything unusual you see about me?"

8           She hesitated for a moment and said, "Well,  
9 you don't have any ears." The guy's irate again and sort  
10 of says, "Well, if that's the kind of person you are as  
11 insensitive as that, you can just find a job someplace  
12 else. But I wouldn't hire you." The lady left.

13           And about 3:00 that afternoon, a fellow  
14 came by for the last interview. And the interview was  
15 going well. They got to the same spot in the interview  
16 and the fellow doing the interview said to the applicant,  
17 he said, "Look me over top to bottom. Look me in the  
18 eye. Tell me, do you see anything different or unusual  
19 about me?"

20           The fellow looked at him for the longest

21 time. Finally said, "You wear contacts, don't you?" The

22 manager just beamed. He says, "Well, insightful. How

23 did you know that."

24           The guy says, "I know you can't wear

1 glasses because you don't have any ears."

2           Well, I've checked this crowd out pretty  
3 well, Jack, and everybody here has ears. And  
4 particularly our friends who've come to listen, I can see  
5 that they brought their ears as well. And this is a  
6 chance for them to hear from the rest of us what our  
7 concerns are, particularly with respect to agriculture.

8           Let me say a couple of comments with  
9 respect to our friends from other places. You've come to  
10 a little state. We only have about 700,000 people here.  
11 You've come to a little state that makes more cars per  
12 capita than any other state. You've come to a state that  
13 is the home of incorporation of about half the Fortune  
14 500, half the New York Stock Exchange because we have  
15 300,000 plus companies who are incorporated in Delaware.  
16 We have no sales tax. They pay a corporation franchise  
17 tax and we have no sales tax because of all those  
18 corporations that are incorporated here.

19           We are the home of the Du Pont Company,  
20 Astra Zeneca, third largest pharmaceutical company in the

21 world, and a lot of other technology and biotechnology  
22 companies that we're becoming something of a cradle for  
23 biotechnology in this part of America.  
24           We have more banks per capita than any

1 state in America. Sixty percent of the credit cards that  
2 are issued in America are issued by banks that are  
3 located in Delaware. Sixty percent. Sixty percent of  
4 the junk mail that ends up in your mailbox probably comes  
5 from those banks that are trying to get you to take more  
6 credit cards.

7           The state of Delaware, we raise more  
8 soybeans. We only have three counties. We're in New  
9 Castle County. We've got Kent in the middle and Sussex  
10 in the southern part. We used to be one state in  
11 Pennsylvania. And about 220 years ago, we gave them  
12 their independence. They call us the lower three  
13 counties. I won't tell you what we call them.

14           But we have our southernmost county, Sussex  
15 County, and in Sussex County, we raise more soybean.  
16 It's the third largest county in America. Imagine that.  
17 We're a small state. We're the 49th largest state. But  
18 we have the third largest county in America and that's  
19 Sussex County. And we raise more soybean there than any  
20 state, any county, rather, in America.

21           And we raise chickens in the state. You  
22 know, it's funny. If you look at a Delaware flag --  
23 Mr. Ambassador, can you hold that flag up for me just a  
24 little bit so people -- the one closest to you. There

1 you go. Thanks a lot. As you can see, there's a ship at  
2 the top. It's the Kalmar Nyckel symbolic of the Swedes  
3 that first came here. Call this the claim as the colony  
4 Sweden. There's a farmer. There's a militia man and  
5 there's an animal right in the middle. There's an animal  
6 right there. Thanks very much. Thank you.

7           This is a state where there are 260 million  
8 chickens. Now, we only have 700,000 people. You know,  
9 we have 260 million chickens and yet we put a cow on our  
10 flag. Can you imagine how many cows we have here? We  
11 don't have that many. But the chickens aren't real happy  
12 about that. And we do have 260 million chickens that  
13 aren't happy. We're thinking a lot about our flag and  
14 maybe reworking it. No, we're not really.

15           The key to Delaware's economy is one of  
16 those most robust this side of the Mississippi River.  
17 And part of the key to that is that we've diversified our  
18 economy. I mentioned some of the components of it.  
19 Chemical industry and biotechnology, financial services.  
20 The auto industry, we make all the Dodge Durangos here.

21 We just launched the new generation of Saturns here

22 last -- this month, actually.

23 We have a lot of folks who come here as

24 tourists and tourism is probably one of the top three

1 businesses in Delaware. A lot of people come to our  
2 beaches. Anybody been here to the Delaware beaches?  
3 This is not a bad week to go to the Delaware beaches,  
4 too. But in the summer, the nation's summer capital kind  
5 of empties out and Rehoboth Beach becomes the nation's  
6 summer capital. But we have a hundred, gosh, 115,  
7 120,000 people. We had NASCAR races in Dover last month.  
8 We just got all kinds of people. And we're delighted  
9 that they come here and spend their money.

10           We also, with respect to having a diverse  
11 economy, we have what we start off with, and that was  
12 agriculture. Before we had cars, before we had  
13 chemicals, before we had biotechnology, before we had  
14 tourists, before we had corporations, before we had any  
15 of that stuff, we had agriculture. And we had a whole  
16 lot of people who work in agriculture. And today we have  
17 a whole lot fewer who do that just like in the rest of  
18 the country. But we still have as a main component of  
19 our economy, agriculture. I don't recall the numbers  
20 exactly. Jack knows them better than me. But my

21 expectation is agriculture is about an 8 or \$900 million

22 industry in our state. A big part of it is poultry.

23 But there are elements, other elements as

24 well that includes swine and include a couple cows, a

1 little bit of dairy and a fair amount of people who raise  
2 watermelons and cantaloupes. And we even have some small  
3 potato farmers still bounced around here. Jack used to  
4 be a potato farmer when he was making an honest living.

5           But a state as small as ours cannot afford  
6 to see eight or nine hundred million dollars of its  
7 economy go away. And right now, our poultry industry is  
8 doing real well. But our grain industry, particularly  
9 corn and soybeans and wheat and barley, but a lot of  
10 our -- a lot of our ag economy is struggling right now.  
11 And unlike the midwest where they've got great weather  
12 and ample yields, we've got a lot of dry weather and  
13 lousy yields. And because of the great crop harvests and  
14 so forth that they're having in the midwest, commodity  
15 price is down. We have the worst of all, low commodity  
16 prices and low yields.

17           It's hard for one state to do much about  
18 the commodity prices. I've done what I can to try to  
19 make it rain. I washed my car yesterday. Got a shower  
20 out of that. And today we scheduled a meeting of the

21 emergency drought committee. In the six-and-a-half years  
22 I've been governor, if we're having a shortage of rain,  
23 it never fails, the ways to make it rain is to call for a  
24 meeting of the emergency drought committee and we can

1 usually get a day's rain out of that. It's just the way  
2 it works.

3           We got a little yesterday, about a half an  
4 inch down in Dover, but not enough. If I had the power  
5 to make it rain, we'd be able to help all of our problems  
6 a little bit.

7           The problem of commodity prices is, one,  
8 even if we had plenty of rain and even if we had good  
9 yields for all of our commodities, with the low commodity  
10 prices, we'd still be hurting. Our farmers would still  
11 be hurting. And I would just observe, how many people  
12 live in the world today? About six billion? Is that  
13 right? Did I see that the other day? A lot. A lot.  
14 They don't eat as well as we do. Most of them don't.

15           My wife and boys and I were down at Cape  
16 Henlopen State Park at the beach a couple weeks ago and  
17 there are a lot of chubby people on the beaches. I would  
18 politely say they were chubby. We're eating real well as  
19 a people. And I was over in the Middle East about two  
20 weeks ago. And you didn't see a lot of chubby people

21 there. I didn't see too many chubby Israelis, either. I  
22 didn't see a lot of chubby Palestinians. We've been,  
23 last summer, to trade mission to Japan, Viet Nam, Taiwan,  
24 and a lot of other places and I will tell you, I didn't

1 see a lot of chubby people there either. There's people  
2 around the world that frankly don't have enough to eat  
3 and we here just have an abundance.

4           And, obviously, a big part of what we need  
5 to be successful in farming is to make sure that that  
6 which we have so much of and that which so many other  
7 countries have so little of, and that is food, that  
8 somehow we be in a position to sell our food to them and  
9 that they have economies that are strong enough that they  
10 can actually buy our food from us. To the extent that  
11 our federal government can help to feed the rest of the  
12 world and assist in that, all the better.

13           The last thing I'll say is with respect to  
14 trade. We do ship out a fair amount of commodities to  
15 other places around the world. The thing we raise a  
16 whole lot of, as I said earlier, is chickens. And now  
17 about 20 percent or so of our poultry is exported.

18           We send the claws to the Chinese and they  
19 sort of eat them like a snack, like potato chips or  
20 pretzels. The necks we send down to Jamaica, the necks

21 and the backs to Jamaica. The dark meat goes to Russia.

22 We eat the rest. And it's not a bad deal when you think

23 of it, especially if you like white meet.

24           But we need to find and to continue to

1 expand those markets. And, obviously, our friends from  
2 the administration, our friends from our trade groups  
3 within the administration can be real helpful in opening  
4 up those markets and enabling us to sell that which we  
5 have so much of. And to the extent we can do that, the  
6 laws of economics haven't changed and the laws of supply  
7 and demand haven't changed and we'll be able to see some  
8 increase in our commodity prices and the ability of our  
9 farmers to survive and hopefully to prosper. And in the  
10 meantime, we'll go to work on making it rain and  
11 hopefully we'll figure out how to do that and we'll get  
12 some better commodity prices.

13           As we go into the next century, we'll still  
14 have an agricultural economy in the state and it's one  
15 we'll be proud of. Thanks very much.

16           SECRETARY TARBURTON: Thank you very much,  
17 Governor.

18           GOVERNOR CARPER: May I say something,  
19 Jack? These ladies are both here to sign and I said as I  
20 came up, I shook hands with one lady and I said, "How are

21 you?"

22 She said, "Fine."

23 I said, "And what are you doing here?"

24 She said, "I'm here to sign."

1           And I shook hands with the other lady and I  
2 said, "How are you ma'am?"

3           She said, "I'm fine."

4           "And why are you here?"

5           She said, "I'm here to sign as well."

6           And I thought to myself, you know,  
7 sometimes politicians are accused of speaking out of both  
8 sides of our mouth. This is living proof of it.

9           SECRETARY TARBURTON: Let me introduce the  
10 two signers. Pamela Whitney who is currently signing and  
11 Eve Adelman West who's the person who was signing for the  
12 Governor. And I thank you very much for being here.

13           I'd also like to introduce Kevin Smith,  
14 who's here representing the Office of Senator Joe Biden.  
15 And I don't know that I've seen anyone else from our  
16 congressional delegation here yet this morning.

17           It's now my pleasure to introduce a good  
18 friend of mine, Don Clifton. Don is the Executive  
19 Director of the Farm Service Agency of the United States  
20 Department of Agriculture and he's held that position in

21 Delaware since June of 1993. In addition to his duties  
22 within the state, he has been called upon to serve in  
23 several leadership capacities at USDA headquarters in  
24 Washington, most recently as communications director for

1 the USDA National Food and Agriculture Council. He was  
2 elected to serve on the FSA Leadership Council for the  
3 northeast region. There I go again with jargon. FSA is  
4 Farm Service Agency.

5 He's from Delaware. He's from Kent County,  
6 Sussex County. Use me, Don. He now resides in Kent  
7 County near Milford with his wife Ruth and seven  
8 children. Don's going to be your moderator for the day.  
9 It gives me great pleasure to welcome Don Clifton to the  
10 podium.

11 MR. CLIFTON: Good morning.

12 GOVERNOR CARPER: Good morning.

13 MR. CLIFTON: Good morning. Good to see  
14 you.

15 Thank you, Jack. As Jack told you, I live  
16 in Kent County with my wife and kids and I'm from a  
17 farming background, farmed for all my life in the  
18 vegetable processing business, and grain and beef as  
19 well. And recently just went back into farming,  
20 Governor. My father retired and offered me the luxurious

21 job of farming again. And I took a piece of it and I'm

22 running with it.

23           And these listening sessions, Mr. Under

24 Secretary, are very important to me. Because \$4 beans,

1 \$1.80-\$1.90 corn aren't just going to cut it for me and  
2 my family. But I do have a lot of faith in Delaware  
3 agriculture. I've got a lot of faith in the land that I  
4 work and I'm willing to work hard and I have a lot of  
5 faith in our government to make sure that we have every  
6 opportunity in global trade to get our commodities sold  
7 at a reasonable price. It's enough for me to know that.

8           As moderator, it's my job to keep things  
9 moving, to introduce the speakers and to make sure that  
10 we stay on target, focused on the subject at hand. This  
11 is a listening session on trade issues.

12           I'd like to introduce our panel which is  
13 sitting at the table. To the far left, your right is  
14 Ambassador Mark Baas from the Department of State, the  
15 Office of Agricultural and Textile Trade Policy.

16           And next to him is Teresa Howse, U.S. Trade  
17 Representative, Office of Agricultural Affairs.

18           And on the right at the table is Under  
19 Secretary Gus Schumacher of the USDA Farm and Foreign  
20 Agriculture Service, of which my agency, the Farm Service

21 Agency is a part. So that's my boss right there.

22           We will recognize registered speakers. If

23 you're here and you wish to speak, please register at the

24 front desk as soon as possible so that you may be

1 recognized. Five minutes each will be allotted to a  
2 speaker. And the panel of negotiators may ask for  
3 clarification or a follow-up question. Please, when you  
4 get to the podium, all the way to the left, my left, your  
5 right of the stage, state your name and organization or  
6 occupation, if you're a farmer.

7           All statements are a matter of public  
8 record and they may appear on the USDA and the state U.S.  
9 Trade Representative web sites. And we would appreciate  
10 copies of your testimony, please. And if you have only  
11 one copy, we can supply you a copy in return at some  
12 point. But please provide us with a copy.

13           To keep us all on time, at the top of the  
14 balcony there are three lights, green, yellow and red.  
15 If the green light is on and you're speaking, feel no  
16 need to rush. But stay focused. If the yellow light is  
17 on, you have approximately one minute. So try to wrap up  
18 in that amount of time. And if the light turns red on  
19 you, we won't stop you abruptly, but try to wrap up in  
20 about 30 seconds.

21 At this point, we will hear from Ambassador

22 Mark Baas, Office of Agricultural and Textile Trade

23 Policy. Ambassador Baas.

24 AMBASSADOR BAAS: Mr. Governor, colleagues,

1 ladies and gentlemen, I'm really delighted to be here in  
2 Delaware. It's my first time to this part of the state.  
3 Like the Governor, I've spent some time at Cape Henlopen  
4 State Park beach, which I like very much, but it's nice  
5 to see another part of the state as well.

6 I should tell you all up front that I'm  
7 from the state of Michigan. My mother, however, is from  
8 the state of Minnesota where she grew up on a family  
9 farm, dairy, corn, alfalfa, and my cousin is still  
10 running that farm today. So I have a farmer connection,  
11 if you will.

12 One question I'd like to ask or like to  
13 answer that you may all have is what is the State  
14 Department doing here at this listening session? I'm  
15 sure you can all figure out fairly reasonably why USTR is  
16 here and why USDA is here. Why is the State Department  
17 here? Isn't the State Department worried about foreign  
18 policy? What are they doing here?

19 Yes, the State Department is worried about  
20 foreign policy. And the reason we're here is because

21 foreign trade is a very important part of our foreign  
22 policy. And foreign agricultural trade is an incredibly  
23 important part of our overall trade.  
24           What happens in trade affects our

1 interests, affects our foreign policy in many other  
2 areas. So it's very important for us to be here.

3           We have embassies in about 150 countries  
4 around the world. They are your embassies. They're  
5 there to represent you. And what do they do in regard to  
6 these negotiations that are coming up? On the one hand,  
7 they talk to foreign governments about our policies and  
8 about our goals for the trade negotiations. They talk to  
9 foreign governments about difficulties we might be having  
10 in getting our exports into the country. They try to  
11 resolve those problems. They try to convince foreign  
12 governments that our positions are the right positions.

13           At the same time, our embassies listen to  
14 foreign governments. They find out what their interests  
15 are, what their concerns are, what they need out of the  
16 upcoming negotiations. Therefore, we hope our  
17 negotiators will be better able to approach a foreign  
18 government and say, look, we're really interested in  
19 export subsidies. We understand that you're interested  
20 in widgets. Maybe we can do a deal.

21            However, in order to do our job, we need to  
22 know what the United States farmer thinks. And that's  
23 why I'm here today. I'm here to listen and that's what  
24 I'm going to do.

1 Thank you very much.

2 MR. CLIFTON: And now we welcome to the  
3 podium Teresa Howse of the U.S. Trade Representative's  
4 Office of Agriculture Affairs. Teresa.

5 MS. HOWSE: Hi. Thank you for hosting this  
6 listening session, the last crown of glory, I guess you  
7 could say of the listening session tour. There's also  
8 one taking place in Montana at the same time. So these  
9 will wrap up our 12 sessions. This is a listening  
10 session, so I want to spend most of my time listening.

11 Let me start with a few brief remarks on  
12 the principles of our agricultural trade policies, the  
13 Administration's view of the need for a new negotiating  
14 round, and the major agricultural issues that it's likely  
15 to address.

16 To begin with, our agricultural trade  
17 policies rest on a few basic principles: opportunity,  
18 fairness and respect for science.

19 As most technologically advanced, most  
20 productive farmers in the world, our agriculture

21 producers depend on fair trade laws to address foreign  
22 dumping and subsidies, or import surges in particular  
23 commodities. And exporters and consumers alike require a  
24 strong, science-based food inspection regime to ensure

1 confidence in the food supply and make sure foreign  
2 countries are not creating new trade barriers.

3           These have been some of the  
4 Administration's fundamental goals over the past six  
5 years. And we've done reasonably well in achieving them.

6           Most fundamentally, through the WTO, we  
7 have created a set of international principles to ensure  
8 open markets and fair treatment for American producers.

9           The WTO represents 50 years of bipartisan  
10 American leadership in creation of an international  
11 trading system that brings down foreign trade barriers  
12 and promotes the rule of law in trade. It has helped  
13 raise incomes, create jobs and promote American values of  
14 fair play and the rule of law worldwide. We brought  
15 agriculture into the trading system in '95 and the  
16 results have been very good.

17           First of all, the talks that created the  
18 WTO cut tariffs and created tariff-rate quotas where  
19 there previously had been no access on farm and ranch  
20 products worldwide. We also cut foreign subsidies. We

21 won consensus that health and food safety standards  
22 should be based strictly on science and public health  
23 rather than serving as disguised barriers to your  
24 products. And all of these have created new

1 opportunities in markets for our goods.

2           At the same time, we've created a strong  
3 enforcement mechanism that makes sure our trading  
4 partners live up to their commitments. And we have been  
5 the most active user of the system. We've succeeded in  
6 20 of our 22 cases, and nine, nearly half, have addressed  
7 agricultural commodities from fruit sails to Japan, to  
8 pork in the Philippines, dairy in Canada and, of course,  
9 those with respect to the EU, where we have imposed  
10 sanctions over the banana case and beef case due to  
11 Europe's refusal to comply.

12           And we found new opportunities through a  
13 series of bilateral and regional agreements -- almonds in  
14 Israel, beef in Korea, grains in Canada, pork and poultry  
15 in the Philippines, and most recently resolution of a  
16 pesticide issue in Taiwan.

17           The most recent example of that would be  
18 the recent agreement we signed with China in April. This  
19 was made possible by the WTO Sanitary and Phytosanitary  
20 Agreement which went into effect in 1995. This has

21 already lifted China's ban on citrus products, wheat and  
22 other grains and meat and poultry from all USDA-approved  
23 plants. When combined with cuts in Chinese tariffs,  
24 after China joins the WTO, to 12 percent on pork and beef

1 and 10 percent on poultry, this will result in a  
2 substantial increase in our exports to China.

3           At the same time, our work is not done.  
4 That's why we're here. We view the next round as an  
5 opportunity to help address some of the remaining trade  
6 barriers and we are looking to you for ideas on how to do  
7 that. Agricultural issues will be at the heart of our  
8 next agenda. As Vice President Gore has said, "Our  
9 economy depends on fully productive and competitive  
10 agriculture." And the Round is our biggest single  
11 opportunity to address these issues.

12           Thus, in the months ahead, we're beginning  
13 to set a specific agenda. Broadly speaking, we have  
14 several goals: To reduce tariffs and other barriers to  
15 our products overseas; promote fair trade by eliminating  
16 export subsidies and reducing trade-distorting domestic  
17 supports; ensuring greater transparency and fairness in  
18 state trading; helping to guarantee that farmers and  
19 ranchers can use safe modern technologies, in particular  
20 biotechnology, without fear of trade discrimination; and

21 ensuring that American producers have the right to  
22 effective remedies against dumping, subsidies and import  
23 surges.  
24           Again, we want to hear the suggestions that

1 you have and the interest and concerns that you have and  
2 would like addressed in the next round. I've had plenty  
3 of experience listening. My dad is a farmer in Michigan  
4 and last year, unfortunately, was forced to throw in the  
5 towel due to some of the same problems that you're  
6 experiencing. So you'll be the last that I listen to,  
7 but certainly you haven't been the first and I look  
8 forward to your comments.

9 MR. CLIFTON: And now from the Office of  
10 Farm and Foreign Agriculture Services, Under Secretary  
11 Gus Schumacher.

12 UNDER SECRETARY SCHUMACHER: Governor, it's  
13 a great pleasure for me to be here. In fact, you're the  
14 only governor that has addressed any of our 12 sessions.  
15 So I'm very pleased that you have taken the time to show  
16 your interest and even stayed here for a couple of  
17 minutes to discuss this. So I'm very honored you're here  
18 and you've got a great state.

19 Frank Tarrant here found his wife here on  
20 the campus. Is that true, Frank? And I'm so pleased

21 that Frank is back. And I'm pleased you met our young  
22 professionals who are the future of the foreign  
23 agriculture service. They got up at 5:30 and got on the  
24 bus. We tried to encourage them a little bit this

1 morning to get going, but they're here.

2           And my great friend Jack Tarburton, who's  
3 president of NASDA, did a wonderful job. We had our  
4 meetings here over in Odessa, which was -- I had never  
5 been to that wonderful town, Governor, and it was  
6 terrific.

7           This hall is a marvelous hall. It sort of  
8 like reminds me of a little town hall in Lexington,  
9 Massachusetts. But it's quite historic and wonderful  
10 campus you have here as well. The Dean greeted us as we  
11 came in.

12           But Don Clifton has just been a tower,  
13 pushing, pushing, pushing, when these droughts come up,  
14 calling me all the time. C'mon, Gus, let's get this  
15 emergency payment out. Make it rain. And hopefully a  
16 couple years ago, Governor, we have a lot of farmers  
17 markets in the metro Washington area and they pushed that  
18 a little bit. And we have some farmers from Delaware.  
19 One of them I chat with from time to time. And I said,  
20 "How are things going in Delaware?"

21           And he said, this is two or three years  
22 ago, he said, "Terrific." He said, "You know, I got a  
23 new pickup."  
24           And I said, "Geez, Charlie. How'd you get

1 the new pickup?"

2           He said, "One of my neighbors is a grain  
3 farmer, actually was doing good, so he put bought a new  
4 pickup and I got the retrade. And the retrade looked  
5 awfully good."

6           What does he mostly do with his corn?

7 Well, he sells it locally but one day he took a load in  
8 over to Salisbury, Frank Perdue's towers over there. And  
9 I said, "Well, does he sell to Frank Perdue?" And I  
10 think one of the colleagues from Frank Perdue's here.  
11 You come across the scale of purchase at Perdue and the  
12 price is posted. He says he took his son over because he  
13 wanted to get a picture with the load of corn \$5.45 to  
14 put that up on the wall because he thought he could never  
15 see another one. Unfortunately, the price has gone down  
16 a little bit. It's about a dollar-and-a-half, Don, \$2.

17           MR. CLIFTON: \$1.90.

18           UNDER SECRETARY SCHUMACHER: You can't  
19 really cash flow on that. \$4 soybeans. We are in real  
20 trouble, Governor, in rural America and your rural

- 21 counties, corn and feed, corn and soybeans. As you
- 22 mentioned, Delaware's doing very, very well economically,
- 23 very diversified, but I think everywhere but
- 24 agricultural, it's a seed of prosperity, but agriculture

1 is an island of despair.

2 I've been all over the country everywhere  
3 in the last four or five months and it's very, very tough  
4 in rural America.

5 What I'd like to do briefly before we start  
6 I'd just like to mention a couple things. It is unusual  
7 to have the State Department here. But Mark has been  
8 tireless on the Russian front. Remember, Jack, we had  
9 that trouble with the Russians putting unscientific  
10 barriers up and Mark and the State Department just broke  
11 kneecaps on that issue. And we managed to get it going.  
12 We still have some problems in Russia with the economy,  
13 but we're coming back a little bit.

14 I think, Governor, we're getting about two  
15 or three hundred thousand tons now. Commercially we  
16 donate that and hope to get that market started. And  
17 then on the Chinese -- and Mark also negotiated the Food  
18 Aid agreement with Chris Goldthwait. The State  
19 Department is taking a much, much stronger interest in  
20 rural America. I'm very, very, pleased about that

21 because we need the State Department. Sometimes in the  
22 past, that's not always been true in previous  
23 administrations. I won't go into those discussions. But  
24 the State Department now is, I think, back on track and

1 we're working very closely with them.

2           Teresa Howse is here, negotiated in large  
3 part with her friends the Chinese agreement. Now, we  
4 hope the Chinese will sign that, Teresa, in the near  
5 future. Because, you know, for Alan Farm is here and I  
6 think it's Bob Turley, Charlie Kucharik will testify  
7 later.

8           But poultry getting beyond Hong Kong is  
9 going to be very, very, important for the chicken feed.  
10 We've had the Dominicans in, as well.

11           What I'd like to do is take about ten  
12 minutes and go through very quickly kind of where we are  
13 now on trade, where we hope to be in the next couple  
14 years, and a bit in the future and how important the next  
15 round is starting in Seattle on November 30th. And we  
16 hope to conclude that in three years.

17           One of the critical issues we hope to hear  
18 from you is this question of a full round versus taking  
19 some successes. And this is an area, Governor, for you  
20 to sweat out as well. For example, what happens if some

21 of your industries can negotiate an early reduction in  
22 tariff? If we get that done. There are a lot of people  
23 on the industrial side who will say, well, let's then put  
24 that aside, negotiate it and implement it. My fear is

1 then we leave agricultural at the end of the line and we  
2 are basically already given a charge on our tariffs.  
3 Other countries have not.

4           So I'm speaking now for agricultural, which  
5 is not always -- we're fairly tough on this. We would  
6 like to see everybody stay until the end so that we can  
7 get our agricultural talk on. Agricultural will be the  
8 most talked about. We don't want to see no early harvest  
9 to be implemented until a whole package is done. And I  
10 feel very strongly about that. Very strongly, indeed. I  
11 know it's not shared by anybody. Maybe, Governor, some  
12 of your industries will be very grouchy of me for even  
13 saying this, but I feel very strongly. As Jack knows, I  
14 kind of say what I have to say and get on with it.

15           Let me go to the next slide, Kathy. Kathy  
16 McKinnon is running the operations. Very important. The  
17 critical role of agricultural, and go to the next slide.  
18 If you want to turn around, these slides are actually  
19 quite interesting if you want to move your chairs around  
20 a little bit.

21            Basically, we're up to 60 billion a couple  
22 years ago when it was 5.45 for corn and \$8.50 for your  
23 soybeans, or maybe even higher. What's the highest you  
24 ever got for soybeans here?

1 MR. CLIFTON: About 8.00.

2 UNDER SECRETARY SCHUMACHER: About \$8. \$6

3 would be great even for corn. Big employment, jobs, a

4 lot. 700,000 jobs. A lot of acreage. 25 percent of

5 cash receipts goes for ... and that's three times more

6 for...

7 I feel strongly for no early agreements

8 until we get agricultural buttoned down. And, of course,

9 as the Governor said, most of our customers are 96

10 percent overseas.

11 This is one interesting slide, Governor,

12 because if you see a '94 to '96, our trade surplus really

13 went up. The agricultural economy nearly hit 30 percent

14 of our cash receipts for exports but you could see down

15 11 percent is the overall economy. How dependent we are

16 and you are in Delaware on agriculture exports to drive

17 our world economy.

18 Next slide.

19 You can see the trend is terrific. Going

20 out in 2000. But you can see '98, '99, we really hit a

21 drop. I probably should have left, came out in '94, I  
22 probably should have retired in '98 and gone out for a  
23 peak. But in for dime and in for dollar, we're going to  
24 see it out.

1           This is an important slide. It's a bit  
2 busy. I'll translate these. You can see in some  
3 commodities, sun flower oil, almonds, we're 75 percent  
4 export dependent. For those of you in the cattle  
5 industry, you're 62 percent for your hides. Walnut, up  
6 in my stay in Massachusetts, 50 percent of the lobsters.  
7 And then we work down through the different commodities.  
8 But you can see, for example, for California, they are  
9 very, very dependent. Soybeans, 36 percent. These are  
10 some of the soybeans.

11           I didn't realize, Governor, the largest  
12 county in America in terms of soybean production is  
13 Sussex. Is it Sussex? But you see how important.  
14 Vegetable oil at the top, \$1 billion. You move down to  
15 the bottom, \$6 billion soybeans. So that's a major  
16 export for soybean to soybean yield.

17           Now for Don, those of us coming into  
18 farming or staying in farming, you can see how exports  
19 track land values in farm equity. Back in the late '70s,  
20 exports went booming up. Farm equity went booming up,

- 21 came down in the mid '80s and now crept back up again.
- 22 What's interesting is farm equity to date, Jack, has
- 23 sustained itself even though exports and prices have
- 24 dropped.

1           We anticipate land values in agriculture  
2 are going to plunge this spring in the year 2000 because  
3 of the low prices. Cash revenues are going to drop.  
4 Farmers simply aren't going to pay or bankers will not  
5 cash flow for lending unless the landlords will drop cash  
6 rates.

7           You can see the impact of the strong and  
8 the depreciating dollar on our trade. A busy slide. But  
9 you can see when we have a lower dollar, we do well.

10          Now, this is an important slide because  
11 when Teresa and her colleagues and the special trade  
12 representative and Joe Marr and others negotiated in  
13 USDA, the NAFTA and gap rounds, you can see how it's  
14 going to kick in. We feel in just a few years the  
15 implementation of the Uruguay round will give us another  
16 \$5 billion in exports that we didn't have. NAFTA, 2.7  
17 billion. And NAFTA's very important because with Asia  
18 having declined some, the NAFTA Mexico, especially, has  
19 been bumping up from about 3 billion to six-and-a-half  
20 billion and they're also taking some of our poultry but

21 also our beef, corn, soybean, cotton, heartland crops.

22 And if we didn't have Mexico, we would be in, as we say

23 in the chicken industry, deep compost.

24           You can see the Japan beef and citrus and

1 so forth.

2           So trade policy has been very, very  
3 important. It's somewhat esoteric but very, very  
4 important. A busy slide. These are in NAFTA, you can  
5 see NAFTA doing very well at the yellow, 34 percent. You  
6 see Canada and Mexico really coming up from 1990 to 1998.  
7 You can see Canada and Mexico also beginning to reach the  
8 Asian Pacific rim. We all rush off to Japan, we rush off  
9 to Hong Kong. We don't necessarily rush to Mexico City,  
10 Monterey, Guadalajara. I like Monterey, Guadalajara.

11           The commissioners have been working very  
12 hard. I think we can learn from the commissioners,  
13 Governor, that they are paying a lot of attention to  
14 Canada and Mexico through the accord. I think we need to  
15 brighten that up a little bit, spend a little more time  
16 on Aero Mexico and United to Mexico City rather than  
17 northwest to Tokyo, although that's a personal comment.  
18 I'm not sure our friends at STR fully shared that in  
19 terms of the timing, but you can see some of the history  
20 of the GAT. The multilateral agreements. The background

21 for agriculture was the most important because we finally

22 got agricultural in and we got disciplines.

23 Don Davis is here. Mr. Haviland from

24 Virginia. But, you know, in terms of the disciplines

1 that we go to enable your chicken as well and your  
2 cattle -- you're a big cattle state in Virginia. And  
3 those commodities are very, very important. We wouldn't  
4 have done as well, Don, if we didn't have those markets.

5           Now, as Teresa said, we have some very  
6 simple but very important objectives. And I want to hear  
7 from you on those objectives. This is what we're  
8 considering. We haven't buttoned it down and we need to  
9 get your views on this. So, for example, on SBS  
10 phytosanitary on the chicken industry is very important.  
11 But we need to get the major steps. In our next round,  
12 we need to get a further market access. We've done  
13 somewhat well on tariff cuts. We have classification but  
14 we don't have the tariffs down. We have five percent in  
15 agricultural; is that correct, Teresa? And our export  
16 markets we sell into are about 50 percent. We will have  
17 to move to get tariffs down.

18           And what Teresa and her team bid on China  
19 was to get their tariffs in the draft agreement down,  
20 Governor, from about 50 percent in agricultural down to

21 17 percent over the next four years. So we need to get  
22 that agreement signed caustically for your state,  
23 soybeans and chicken, it's critically important because  
24 China could be such a big importer of oil, vegetable meal

1 and chicken parts.

2           Export subsidies in the EU, domestic  
3 subsidies are very important in the EU in the SPS.

4           And you can see in the WTO what I just  
5 mentioned on tariffs. So remember the average is 50  
6 percent, EU 20 and we're down to 8.

7           Next one. This is what I call my Pacman  
8 slide because it indicates -- a few years ago we all  
9 played Pacman. The EU has 83 percent of the world's  
10 exports subsidies, 7 billion on the left. And you can  
11 see the United States at 1.4 billion. And, you know,  
12 that is so distorted. It's quite a good slide because it  
13 indicates that the EU is the absolute big enchilada, the  
14 big Pac person and just go gobbling up the rest of the  
15 world up with these very, very high export subsidies.  
16 That is a major initiative for us to get rid of those,  
17 not just reduce them, Governor, but to get rid of them.  
18 We would ask the help of the National Governors  
19 Association and the commissioners and others to keep  
20 putting pressure on us to make sure we stay the course on

21 getting rid of those export subsidies.

22           We can compete. We can't compete against

23 \$7 billion of European taxpayer money on export

24 subsidies. We just can't do that.

1           Chicken is very important. You know, in  
2 Allen's and Perdue and other chicken industries here in  
3 the peninsula, that you have a very difficult time  
4 competing against those EU poultry subsidies in the  
5 Middle East because they're really rationing it up.

6           On the domestic side, you can see, you  
7 know, they have about \$60 billion and we have about  
8 \$6 billion. So we're being out spent ten to one. Even  
9 though we've got some improvement in the EU, we need a  
10 major change, Jack, in our -- the EU is the big -- is the  
11 big one and we're focusing on that. We're also going to  
12 work hard to further Japan and Korea. But you see we  
13 have some work to do in the next round. And we won't  
14 have that clout if we let some of the industries get  
15 early invitation either in whole or altogether to put  
16 pressure on me and others either Japan or some of the big  
17 corporations in Europe. If they want to get their  
18 tariffs down here and get further access, they must give  
19 on agriculture.

20           We want to keep it all together. Together

21 and united we stand. We come apart, we're not going to  
22 do as well, Governor. You may get pressure from your  
23 industries here in Wilmington, but I hope we can work  
24 together to stay the course in keeping this together.

1           Finally, I'll just end with a few of these.  
2 We want to negotiate substantial further tariff  
3 reductions, get those 50 percent down to a reasonable  
4 level. Get rid of export subsidies. Tighten rules on  
5 domestic support. Get rid of the state trading,  
6 especially in Canada, Australia, New Zealand, on our  
7 exports. Reform the tariff rate quote to say -- which  
8 are okay, but we think we need to get clarification. And  
9 particularly facilitate trade in new technology products.

10           I was very interested, Governor, in your  
11 comment that Wilmington and some of your firms are really  
12 beginning to ratchet up on the biotechnology. But if we  
13 can't get access for the products produced with  
14 biotechnology and agriculture, that's going to be very  
15 difficult.

16           I was quite surprised when we won the  
17 hormone case. We decided we would put a hundred percent  
18 tariff on those well-known Dover/Newark products fuqua,  
19 truffles and Roquefort cheese. So we have a hundred  
20 percent tariff. The French minister wasn't too happy

21 about that. And he kind of was grumpy, grouchy. I think

22 he hit a bad Roquefort day and he indicated in a radio

23 interview that we had the worst food in the world.

24           The Secretary and I were uncomfortable with

1 that statement and we called it intemperate and  
2 insulting. So we have a war of the words on food with  
3 our friends in France. So it would not be truffles, rock  
4 for the and fuqua on the menus in Dover, Newark and  
5 Wilmington starting next month. As the Governor said,  
6 sour grapes.

7           Here we are. We'd like to listen to you.  
8 You have some very major export industries in agriculture  
9 here. You have a very fine turnout and I'm looking  
10 forward to hearing from you today. It is being recorded.  
11 There's been a lot of attention to what you have said.

12           As the Governor and Jack have said, in the  
13 past, trade has been inside Washington. In fact, there's  
14 a newsletter, Governor, called "Inside Trade." And we  
15 stand to make this outside trade. We want to put it all  
16 on the record. We want to get your council to listen to  
17 you. We picked up a lot of very, very useful  
18 suggestions. For example, we one won, Jack, the hormone  
19 case. And I'm not an attorney, but, you know, in law,  
20 you know, if you win cases, sometimes you have to put up

21 a bond. Sometimes you have to put up an escrow until you

22 get appeals out. There's different ways of handling in

23 domestic or English Saxon law, those issues.

24 In the WTO, if you lose a case, you appeal

1 and you appeal and you do this and you do that. And it  
2 may be four or five months, 10-15 months or two years.  
3 One of the farmers suggested follow Anglo Saxon law and  
4 put up a bond. If they lose the hormone case, put up a  
5 couple hundred million dollars of European tax money, put  
6 it in escrow in an agreed bank and let the interest  
7 accumulate on that because we eventually won that and we  
8 could have used that on an annual. So you have a bond  
9 for every year you're not in compliance, you double the  
10 bond. And that, I think, is a pretty good idea. We may  
11 try and get that through the next round. Those are the  
12 kind of ideas we like to hear. We hadn't heard about  
13 that before.

14 I'm very honored you're here, Governor.  
15 I'm honored in order that Don and Jack and the team are  
16 here and counseled us on how we should start up the next  
17 round in Seattle in November of 1999. Thank you. I'll  
18 give it back to Don.

19 MR. CLIFTON: All right. Before we start  
20 with our speakers, presenters, we're going to take a

21 five-minute break to double-check our speakers' list. So  
22 be prompt. Back here in five minutes. Do whatever you  
23 need to do.

24           UNDER SECRETARY SCHUMACHER: Let's start

1 right up.

2 MR. CLIFTON: Okay. Then we'll start. How  
3 about that.

4 First on the list is our state  
5 representative from Gumboro, Representative Charlie West.  
6 Is Charlie here yet? Charlie's not here yet. I didn't  
7 think I saw him.

8 All right. Then Charlie will be put on the  
9 end of the list. Hopefully he will show up and we'll  
10 give him an opportunity to speak.

11 Do we have someone down front here to  
12 collect the -- okay. Kathy will collect your copy of  
13 your testimony as you leave the podium, please. Okay?

14 Next on our list is Dr. Herbert Putz of  
15 Diamond Land and Cattle Corporation. Dr. Putz.

16 DR. PUTZ: Ladies and gentlemen, I thank  
17 you for giving me the opportunity to share my ideas on  
18 U.S. agriculture trade policy issues.

19 Let me introduce myself. My family has  
20 been merchants and farmers for 12 generations. I've

21 spent more than 30 years in a leading position in the  
22 grain export trade in the U.S. and in Europe. I was nine  
23 years in charge of restructuring non-performing loans of  
24 major U.S. and overseas corporations for the largest

1 Austrian bank in New York. And in the last six years, I  
2 was foolish enough to have been farming and cattle  
3 raising on our 6,000 acre family farm in Texas and  
4 Virginia. We grow mainly wheat, corn, soybeans in  
5 addition to a cow/calf operation and we have sheep as  
6 living lawnmowers.

7           With the vast, in-depth knowledge of the  
8 trade issues and their background of the distinguished  
9 panel members, I feel a little uneasy to give my five  
10 cents worth of wisdom, but I'll try it anyhow.

11           The previous speakers in the other  
12 listening sessions have given you a long wish list for  
13 the WTO ministerial conference this year in Seattle such  
14 as eliminating export subsidies, cutting tariff rates on  
15 farm products, improving market access, make state  
16 trading companies more transparent, solve sanitary,  
17 phytosanitary and GMO issues.

18           I believe all possible suggestions have  
19 been addressed extensively. This leaves me only to wish  
20 you good luck and Godspeed in your negotiations.

21 Unfortunately for you, that's not the end of my

22 presentation.

23           Let's look at some figures and facts.

24 Ms. Pat Hill from the USDA stated in her presentation to

1 the directors of the U.S. Grain Council meeting in Boston  
2 that we have made great strides since the Uruguay Round.  
3 Well, if we had made such great strides why is the U.S.  
4 agriculture economy in the dumps. Prices have since the  
5 Uruguay Round spiraled downward despite the annual world  
6 trade for the grains and oilseeds is now, according to  
7 the U.S. Department of Agricultural's last figures,  
8 exceeds 300 million tons. The U.S. share in this sizable  
9 volume of world trade dropped from over 46 percent in the  
10 mid-1980's to now less than 35 percent. Our wheat export  
11 represent only 25 percent compared to over 50 percent of  
12 the total world trade, and rice is less than  
13 one-and-a-quarter percent.

14           Since there is plenty of export business,  
15 why have we lost our historic market share? Our  
16 competitors seem to have no trouble to have market access  
17 or overcome tariff rates on farm products or solve  
18 sanitary, phytosanitary and GMO impediments with their  
19 customers. We don't want to talk about it right now.

20           For example, Australia sold to India four

21 million tons of wheat last year, but the U.S. wheat was  
22 excluded. We were not even allowed to offer. We could  
23 not solve the weed issue. How come the Australians  
24 solved this problem?

1           While we have been given the much applauded  
2 freedom to farm, the U.S. farmer has been deprived of the  
3 freedom to sell. Neither the farmer nor the export  
4 companies can push for a better share of the world trade  
5 because other agricultural producers are outgunning us  
6 with general direct and indirect export subsidies and  
7 more export-oriented government. Our government has not  
8 given the U.S. agriculture industry a level field to  
9 compete. How long do we intend to let our competitors  
10 snap away at our historic market share through subsidies,  
11 devaluation and other hidden supports? It took over five  
12 years to come to the Uruguay Round agreement. Will it  
13 take another five years under the WTO and lose more of  
14 our market share? Do we need to beg every year for the  
15 next five years for congressional handouts? These  
16 handouts bring us not even to the level of food stamp  
17 recipients, which latter program is now eight-and-a-half  
18 times the size of the help agriculture got last year.

19           What a disproportionate treatment of our  
20 industry which has a proven ripple effect in our U.S.

21 economy and is a major effect in the balance of payment.  
22 We have spent and will continue to spend billions of  
23 dollars to be the warehouse of the world. This does not  
24 help neither the agricultural industry nor the U.S.

1 taxpayer. What we need now is to give the U.S. farmer  
2 respectively, the U.S. export traders, the tool to  
3 compete on a level field in the world trade and that  
4 means activating the export enhancement program. This  
5 will help the U.S. farmer and ultimately the U.S.  
6 taxpayer to get us going until your anticipated new order  
7 under the WTO may take effect down the road.

8           It is time to fight fire with fire.  
9 Otherwise, we will be faced with some long drawn-out  
10 trade negotiations which outcome have a historic proven  
11 high failure rates.

12           Ever since Secretary Dr. Kissinger and  
13 President Carter used agriculture as an international  
14 bargaining chip, other nations have accelerated their  
15 policy of national food security and favorable farm  
16 policy. This policy helped national economies by keeping  
17 the country folks at home; reducing the influx of the  
18 people into the city; spending only local currency to  
19 bring the local agriculture up to speed instead of using  
20 hard-earned U.S. dollars to feed the people; freeing

21 hard-earned U.S. dollars for the improvement of the  
22 infrastructure of manufacturing and services, which has  
23 the effect of creating new jobs and earning additional  
24 dollars through exports.

1           What incentive or benefit would a nation  
2 have to open their borders and expose their own  
3 agricultures to the harsh winds of world trade without  
4 direct or indirect subsidy or protectionistic measures  
5 such as stringent phytosanitary rules or GMO  
6 restrictions?

7           Would a government who had his farmers  
8 rioting in Brussels, Buenos Aires, in Pretoria, Warszawa  
9 and Prague and many other cities be willing to sign such  
10 a liberalization agreement? Do we believe that, for  
11 example, Peoples Republic of China or India will  
12 jeopardize their food security and drop the support of  
13 the farmers in favor of U.S. dollar food imports? Or,  
14 taking a cue from European Union Commissioner Brittain's  
15 latest statement regarding the EU stance in the upcoming  
16 WTO meeting?

17           An immediate relief for the U.S. farmer is  
18 not in the cards. How can it be when the European Union  
19 just adopted a continuation of the subsidy system under  
20 the CAP well into the year 2005.

21            Since the outlook for expedient solution  
22 through WTO is not promising, what can the U.S. farmer do  
23 to improve his economic blight beside begging the  
24 Congress for dimes and quarters, which we hate anyhow.

1 The well-advertised suggestions by advisors in managing  
2 our price risks by trading in derivative products such as  
3 futures or options and other fancy worded instruments  
4 reminds me of Mr. Delorean who wanted to save his Irish  
5 automobile company by dealing in drugs.

6           Why would I need to farm, worry about  
7 weather, machinery breakdown, will the workers show up  
8 today or not, when my income depends what successful  
9 speculator I am. I wonder what the good Chairman  
10 Greenspan thinks about these advises. I'm sure he would  
11 not like us quitting farm and becoming instead hotshot  
12 commodity speculators in New York City.

13           The U.S. farmer cannot move his production  
14 facilities overseas as the U.S. manufacturer did in the  
15 last 20 years. The U.S. farmer and livestock raiser is  
16 by the nature of the beast bolted to the USA. He cannot  
17 take his land, the engine of his production, and move.  
18 But if he would follow the example of the U.S.  
19 manufacturer and take advantage of the cheap land and  
20 leases and tax holidays offered by certain former east

- 21 European block countries and move his know-how and
- 22 machinery to these countries, as several U.S. ag
- 23 corporations have already done, U.S. land prices will
- 24 tumble and the national food security may be in jeopardy.

1           While the banks, insurance companies,  
2 transportation companies, industry and especially grain  
3 companies were given all the help by this administration  
4 to merge, the farmer and the livestock raiser continues  
5 to face a deliberate impediment to follow this example of  
6 success. We cannot take advantage of increasing our  
7 productivity of our machinery by adding land, thus,  
8 reducing the per acre expenses or do a better marketing.  
9 Too many obstacles prohibit the U.S. farmer to stay  
10 competitive through growth.

11           While the banks and industry are able to  
12 negotiate real estate tax deals with the local  
13 government, the farmers are levied with ever  
14 unproportional increases of school taxes. My real estate  
15 taxes increased in the past three years by over 35  
16 percent while the local car battery manufacturer does not  
17 pay any taxes for years to come.

18           MR. CLIFTON: Dr. Putz, time, please.

19           DR. PUTZ: I'm sorry? Finished?

20           MR. CLIFTON: We've exceeded our time.

21 DR. PUTZ: Thank you. There's more to go.

22 MR. CLIFTON: Thank you very much.

23 UNDER SECRETARY SCHUMACHER: Dr. Putz, can

24 I just ask you one or two questions?

1 MR. CLIFTON: Please stay at the podium.

2 UNDER SECRETARY SCHUMACHER: Can I ask you  
3 a couple of questions on clarification on your statement?

4 MR. CLIFTON: Please stay at the podium,  
5 sir, so they can ask you some questions.

6 UNDER SECRETARY SCHUMACHER: I appreciate  
7 you coming from -- which county in Virginia are you?

8 DR. PUTZ: Madison.

9 UNDER SECRETARY SCHUMACHER: As the farm  
10 economy is in terrible shape right now, as you and I had  
11 both articulated firmly this morning. The question is  
12 are you originally from Austria?

13 DR. PUTZ: I was born in Australia. I'm a  
14 citizen of the United States.

15 UNDER SECRETARY SCHUMACHER: Right. But  
16 basically do you want in Madison County and in Texas, an  
17 EU system? You know well and I know well from the board.  
18 Do you think we can have a \$60 billion outlay for rural  
19 America? Feeding the farm. Congress said no. We're  
20 going to move away from that. Now they're more than just

21 nickels and dimes.

22           Senator Pat Roberts said the other day, who

23 is the author of Feeding the Farm, do we need at least

24 five and maybe 15 billion and maybe feeding the farm is a

1 transition. You did not want to have subsidies, but most  
2 farmers now are asking their Congressmen for at least a  
3 transitional program to get them through until we get  
4 these exports back on track.

5           But would you feel that we should go to a  
6 European-type system? And if so, how would Senator Roth,  
7 Senator Biden and other be counseled in the case of  
8 Delaware and other places to have that? I mean, it's a  
9 really important question. You have worked both in  
10 Europe and the United States and have great experience.  
11 You've seen both work. The European farmer is in  
12 reasonable shape these days, although they're dumping  
13 their products on to Poland and almost destroying that  
14 government and throwing their meats into Europe at  
15 extraordinary subsidies.

16           How do you come out on that question, sir?  
17 Do we want a European type system or do we want a more  
18 flexible system with more market driven?

19           DR. PUTZ: You put many questions in one  
20 question, sir. First of all, I would like to see the

21 American farmer not handicapped to grow. And there are  
22 many issues which handicaps the growth, limitation in  
23 payment, certain payments like loan deficiency payments,  
24 insurance issues, crop insurance issues. For example, if

1 I add new land, I cannot receive proper coverage because  
2 I will be assigned a transition level for all my new  
3 acquired land.

4           But I think the freedom of farming concept  
5 is an excellent concept. But you have to put the second  
6 leg on that concept, and that is freedom to sell. And  
7 how do we sell? Because most of our products go  
8 overseas. How do we sell and when do we get this  
9 agreement? The issue is when? The timing. We need  
10 money today and we need to move our grain today and  
11 hopefully get better prices for moving our grain.

12           I believe in these negotiations. Like all  
13 government negotiations, as you better know than I, takes  
14 time. And the farmer does not have that time element. I  
15 have to pay my bills today. I cannot wait until 2005  
16 when the prices are up there as it is projected.

17           A European price system? That is a real  
18 political philosophical issue because you have two  
19 choices. Either cheap food prices for your population or  
20 for your citizen. Then you have the freedom of farming.

21 Or you are concerned that your countryside need to be  
22 populated and it need to be prosperous and they need to  
23 share in the general prosperity of the nation? Then you  
24 have to go to European system.

1           But I cannot judge which system is better.  
2 All I can say, sir, my bottom line today is red and we  
3 have to change that red into black. Otherwise, you will  
4 not have any farmers.

5           And as far as the subsidy is concerned, and  
6 this is also a very political philosophical issue because  
7 what is a family farmer today? A family farmer in the  
8 interpretation of the U.S. Department of Agriculture is a  
9 farmer who is a little guy who has a little tractor, has  
10 a nice wife and some kids. Today's farmer is the farmer  
11 who has at least a half a million dollars in machinery,  
12 and whatever in value his land is. That is the farmer  
13 who is really the productive farmer. And let that farmer  
14 grow. Do not push him down. Give us the same  
15 opportunity as the banks, the insurance, the  
16 transportation company has. Please. Do that for us.  
17 We'll work ourselves through that, the other mess.

18           UNDER SECRETARY SCHUMACHER: Thank you very  
19 much. This is very helpful, indeed. We appreciate that.

20           DR. PUTZ: Thank you.

21 MR. CLIFTON: Thank you for your testimony.

22 Dr. Putz, you can give your copy -- you did? Thank you

23 very much. Your entire statement will be in the record.

24 Next we recognize Mr. Bob Turley of Purdue

1 Farms and the U.S. Poultry & Egg Export Council.

2 MR. TURLEY: Good morning. Thank you for  
3 the opportunity to appear before you today to discuss the  
4 poultry industry's objectives for the upcoming round of  
5 World Trade Organization negotiations.

6 I'm Bob Turley, president and chief  
7 operating officer of Purdue Farms in Salisbury, Maryland.  
8 And just a personal note, I've been involved in  
9 agriculture all my life. Grew up on a farm in the  
10 midwest, chicken, cows and dairy cows. And I went to  
11 college.

12 At Purdue, we produce the process and  
13 market chicken and turkey products in the eastern United  
14 States and internationally. There are two of us who are  
15 here on behalf of U.S. Poultry & Egg Export Council to  
16 address issues to be covered in the trade talks that  
17 affects the global interests and exporters.

18 We will each cover separate aspects of our  
19 industry's global interests. We will also make available  
20 to you a separate more detailed paper on these topics.

21 Exports have become a critical issue on the  
22 U.S. poultry industry in just a few short years. In  
23 1998, American companies exported more than  
24 one-and-a-half billion dollars worth of poultry and eggs.

1 Exports could mean the difference between making a profit  
2 or taking a loss. Industry-wide exports account for  
3 nearly 15 percent of the total annual production of  
4 chicken on a tonnage basis.

5            Depending on the product mix, U.S.  
6 companies do between 10 and 35 percent of their business  
7 offshore. Still U.S. exporters continue to face  
8 substantial government-imposed impediments to sales to  
9 most countries. Previous multilateral trade negotiations  
10 have eliminated a number of the most objectionable form  
11 of trade barriers; namely, quotas, verbal levies and  
12 prohibitions. But those barriers have been replaced by  
13 high tariffs, tariff quotas, special safeguard mechanisms  
14 and even unjustifiable health regulations. For example,  
15 only a few years ago, the U.S. exported more than \$55  
16 million of poultry to the EU. Now the export ... for to  
17 be made into pet food because of our failure to reach a  
18 sanitary equivalence agreement with the Europeans.

19            The next round of multilevel trade  
20 negotiations will offer an opportunity to obtain uniform

21 reductions and barriers to export and U.S. poultry  
22 products, possibly the only real opportunity in 20 years  
23 or the next 20 years. We understand that the U.S. is  
24 deciding which negotiating approach to use in the next

1 round. The question's whether the bundled elements of  
2 the negotiation and attempt to achieve so-called early  
3 harvest in specific areas take up a more traditional  
4 approach which no specific subject area is formally  
5 concluded into all, the single undertaking approach,  
6 which you mentioned.

7           The poultry industry agrees with most  
8 others in the U.S. agriculture and agricultural exports  
9 who believe that early harvest approach could never  
10 provide the tradeoffs or generate the pressure that will  
11 be necessary to yield a substantial result for  
12 agriculture.

13           We believe that all the elements of an  
14 agreement must be concluded simultaneously. Thus,  
15 affording agriculture a maximum opportunity for success.

16           There is also consideration being given to  
17 negotiate on a request/offer basis, rather than pick up  
18 where the Uruguay Round left off with an across-the-board  
19 trade to starting measures. The request/offer approach  
20 benefits sectors of the country whose principle concerns

21 are with the loss of import protection.

22           The best outcome for our industry would be

23 achieved by having the negotiations pick up from where

24 the Uruguay Round left off. In fact, this was actually a

1 provision in that agreement when agriculture was included  
2 with a built-in agency for the upcoming round.

3 Picking up on the Uruguay Round framework  
4 for the negotiations will guarantee that the issues of  
5 crucial importance to our industry market success and  
6 subsidy will be included in the new round.

7 Because of the tremendous stakes involved  
8 in the new round for the poultry industry, our industry  
9 believes the U.S. must support a single undertaking in  
10 the next round and adopt a negotiating framework based on  
11 the Uruguay Round approach.

12 Finally, the issue of timing of the  
13 negotiation is important to us in agriculture. Many in  
14 the industry are urging that the administration press for  
15 a three-year time limit, at least as an objective. We  
16 urge the administration to take these concerns into  
17 account as it develops its position in the Seattle  
18 negotiations.

19 Thank you very much for the opportunity to  
20 present this.

21 UNDER SECRETARY SCHUMACHER: Thank you,  
22 Mr. Turley. You're in fine company. Maybe our next  
23 speaker will be talking more about the SPS issue. If  
24 not, would you want to address that because, for example,

1 on poultry, you indicated briefly the non-tariff barrier  
2 still. I think this week we signed the veterinary  
3 equivalence agreement with the European Union, setting an  
4 important principle.

5           But the wider issue of SPS, there are some  
6 environmental and other groups would like to see the SPS  
7 agreement opened up. I'm not too keen on that. I think  
8 that served us well and we won a number of cases in the  
9 WTO. Do you have any thoughts on poultry and SPS?

10           MR. TURLEY: Well, you did mention  
11 equivalency; correct? We would ask in the equivalence  
12 that we have a level playing field to play on. Most of us  
13 in our country have been in other processing plants, for  
14 example, around the world and we truly believe, you know,  
15 we have the most up-to-date modern sanitary plants in the  
16 world. That becomes questionable as we visit facilities  
17 in other countries.

18           As far as the rest of your question, I  
19 would like to defer that to the next speaker.

20           UNDER SECRETARY SCHUMACHER: Thank you very

21 much.

22 THE COURT: Thank you, Mr. Turley. Our

23 next speaker is Mr. Charles Kucharik, Vice-president for

24 sales and marketing, Allen Family Foods.

1           MR. KUCHARIK: I would also like to thank  
2 you for the opportunity to appear before you here today.  
3 I am Charles Kucharik. I'm the vice-president of sales  
4 and marketing at Allen Family Foods. Our Delaware-based  
5 company produces and markets chickens in the northeastern  
6 United States and internationally.

7           I would like to reaffirm Mr. Turley's  
8 statements about the importance of exports to my company  
9 and to the industry as a whole. Last year, the U.S.  
10 exported 2.1 million tons of broilers, 202,000 tons of  
11 turkey, 49 million dozen eggs and \$31.2 million of  
12 processed egg products. Poultry is Delaware's largest  
13 single agricultural export commodity, contributing \$90  
14 million to the state's economy.

15           My brief comments will focus on the issues  
16 related to subsidies, regulatory measures and market  
17 access. These issues are addressed in greater detail in  
18 the written comments which I'm submitting.

19           Export subsidies will no doubt be reduced  
20 in the next round and there will be a strong push to

21 eliminate them altogether. The EU is the last major  
22 exporter to rely heavily on export subsidies and  
23 continues to employ such subsidies on poultry, as your  
24 graph showed. Our industry believes the U.S. should seek

1 the total and immediate elimination of export subsidies.  
2 At the same time, we believe that as long as export  
3 subsidies continue to be permitted, our negotiators  
4 should make no commitment or reach any agreement that  
5 would prevent the use of export enhancement programs for  
6 poultry and egg products within the limits of the Uruguay  
7 Round.

8           U.S. poultry and egg exports continue to  
9 face many sanitary measures throughout the world, our  
10 industry phytosanitary agreement. We believe our  
11 negotiators should push for improvements in the current  
12 SPS agreement rather than by reopening or renegotiating  
13 the existing agreement. This approach would allow the  
14 poultry industry to seek stronger language on such issues  
15 as the role of science in regulatory decisions and  
16 equivalency without the risk of having the existing  
17 agreement weakened.

18           The EU can be expected to try to introduce  
19 provisions into the SPS agreement that would permit  
20 countries to justify food safety or other regulations on

21 social rather than scientific grounds, consumer concerns,  
22 animal rights, whatever issues they would bring in, or on  
23 the basis of precautionary principle. The EU's objective  
24 is clear, to avoid phyto limits on its ability to

1 restrict imports. That's its goal.

2           If such subjective considerations are  
3 incorporated, the EU could issue trade restrictions such  
4 as a ban on U.S. poultry because we use antimicrobial  
5 treatments in processing without the fear of a WTO  
6 challenge.

7           Under the precautionary principle,  
8 virtually any country could ban any product for nothing  
9 more than a domestic political pressure. Our industry is  
10 also interested in the U.S. strategies for addressing  
11 problems in market access and tariff reduction. Many  
12 tariffs around the world are exorbitant, providing the  
13 same effective level of protection from foreign  
14 competition as quotas, levies and even outright  
15 prohibitions that were eliminated in the Uruguay Round.  
16 U.S. tariffs generally are lower than ten percent and the  
17 U.S. supplies no additional protective measures.

18           Our industry strongly supports a formula  
19 approach to tariff reduction and believes a formula  
20 should result in deeper cuts in highest tariffs to

- 21 provide for greater equity and global trade. One
- 22 possibility is a formula where the higher the tariff, the
- 23 deeper the percent reduction required. Another is to
- 24 superimpose a maximum tariff level over a more

1 traditional formula approach. A maximum ending tariff  
2 of, say, 25 percent would make a huge difference in the  
3 ability of U.S. exporters to penetrate certain foreign  
4 markets.

5           The industry also supports the elimination  
6 of tariff rate quotas, TRQs, by the end of the transition  
7 period of the next round. TRQs are introduced in the  
8 Uruguay Round as a mechanism for establishing minimum  
9 import/export levels based on domestic production. The  
10 trouble is TRQs are too often ineffective. In some  
11 cases, the TRQ import licenses for certain products are  
12 awarded to the domestic producers of those same products.  
13 Therefore, new disciplinary rules ought to be developed  
14 and adopted for this round.

15           Thank you for the opportunity to present  
16 these rules on behalf of the industry and the U.S.  
17 Poultry and Export Council. We look forward to  
18 participating actively to ensure a positive outcome for  
19 our industry. And I am submitting a full document from  
20 USP.

21           AMBASSADOR BAAS: If I could just make one  
22 observation and ask a question. I agree with you a  
23 hundred percent on cautionary principle. It's clearly, I  
24 think, protectionist. And I think what I find most

1 objectionable is the implication that other countries,  
2 such as the United States, don't, in fact, care about the  
3 safety of their consumers and don't take precautions  
4 when, in fact, you as an industry, I think, probably know  
5 better than any people EFIS, FDA, EPA, their very basis  
6 of what they do is precaution and to make sure, in fact,  
7 the products we do put on the market are safe. So I  
8 think we are very much aware of the concerns you  
9 expressed and have been working very hard in a variety of  
10 402 to try to prevent a principle of precaution to be  
11 adopted which would allow, as you say, any country to ban  
12 anything simply because they think there may be one more  
13 test out there which may prove that something is wrong  
14 with the product.

15           The question I would like or I would value  
16 your observation would be on animal welfare. I fear that  
17 this is a coming thing in the European Union. They just  
18 passed, as I'm sure you're aware, a minimum size, I  
19 guess, for chicken or hen coops or whatever everyone  
20 calls them. And, again, I see this as another effort

21 probably to find a way to keep out our products. And I  
22 would appreciate your views on that, particularly since I  
23 think poultry may be the first industry in the cross  
24 here, so to speak.

1           MR. KUCHARIK: Absolutely. Well, when it  
2 comes to animal protection, quite obviously, to be a  
3 productive operation and be a successful operation, you  
4 have to have the proper treatment of the animals and this  
5 is something that our industry has strove for through the  
6 decades that have built it to the success that it is.

7           I think that it's difficult to really count  
8 too much on that from the standpoint that the way that  
9 animal rights can be used as a -- just a blocking -- as a  
10 non-tariff block is obviously an emotional issue.  
11 Different countries have taken different paths with  
12 regard to how they have respected the treatment of  
13 animals and that's no easy task as to how we would  
14 actually come up with a solution to it.

15           I think it comes back to almost the same  
16 issue of equivalency. We do treat our animals fairly.  
17 We have to do that to be successful. And I think that we  
18 would just have to fight the battle on the basis that we  
19 would want to have the same equivalency that they require  
20 for importing over into here to export to the United

21 States.

22 It's just an equivalency issue, I guess,

23 for us.

24 UNDER SECRETARY SCHUMACHER: What is the

1 mortality rate in the flocks in Delaware?

2 MR. KUCHARIK: I have technical people who  
3 would know that, but it is a very small percentage, yeah.

4 UNDER SECRETARY SCHUMACHER: I used to  
5 raise, when I was rather younger, a lot younger, I had a  
6 flock of laying hens and I have very great debates with  
7 folks in Europe because they want four or five different  
8 kinds of eggs now. They have battery eggs, barn eggs,  
9 feed range eggs, cage eggs for pritches, cage egg without  
10 pritches. So all leaning towards happy chickens. I used  
11 to raise happy chickens, but, unfortunately, 20 percent  
12 of my happy chickens went to chicken heaven before I  
13 intended them to do so. And that was always a problem  
14 with my mother who did not appreciate me with my  
15 less-than-happy chickens because they were in the barn  
16 and they would get out.

17 But it's an important issue and I think the  
18 market's right to raise it because I think we do have a  
19 very low mortality rate in our animals in the United  
20 States and we'll have substantial debates across the

21 animal spectrum on that issue.

22           AMBASSADOR BAAS: One more question. Jack

23 mentioned you were very involved in the former Soviet

24 Union. We worked very, very hard. As that economy comes

1 back, it's been coming back some, but -- that Soviet  
2 Union/Russian market plus the Chinese market. I'm so  
3 proud of what Teresa and her team did because I think  
4 that has real potential in China. They simply can't keep  
5 up. What they really want to do is use our biotechnology  
6 to have a four-footed chicken. Right now we only have  
7 two-foot chicken because the demand for chicken feet what  
8 I call the bits and pieces in China is substantial. If  
9 we could get further access, good veterinary agreement  
10 and the tariffs you have negotiated, Teresa, I think you  
11 ought to come in on Russia and China to counsel us. How  
12 should we conduct our negotiation with those two?

13           MR. KUCHARIK: Well, in regard to Russia,  
14 the true issue right now today is the cost of an imported  
15 item is four times what it was last August. That is the  
16 perspective. The valuation of the ruble is now worth  
17 25 -- there's 25 rubles per dollar. It was down around  
18 six in August. So you've got an imported item into the  
19 Russian economy that is now four times as expensive as it  
20 was. That is the issue that has a very, very long-term

- 21 detriment to the U.S. exports. And the potential for
- 22 recovery into Russia is -- the buying power of the
- 23 Russian public is quite low at this point in time.
- 24 There's an awful lot of barter and other trade going on

1 that allows them to subsist.

2           The efforts that are being made basically  
3 with a very long-range direction there, to further that  
4 comment.

5           As far as China, with over a billion people  
6 in that country, we applaud the efforts to get the tariff  
7 established and hopefully to get this agreement signed  
8 that we can proceed. There are a lot of hungry mouths  
9 that we have been quite successful in approaching with  
10 poultry products. It is a market that we will continue  
11 to work very hard to work on.

12           As far as obstacles, again, the price point  
13 of items going into China is quite low, as you say, the  
14 bits and pieces. It is a point that basically, again,  
15 helps to utilize some of the things that would not sell  
16 in a grocery store in the United States. But it is very  
17 much a very good opportunity for American poultry and we  
18 are working very hard. USP does have offices in China  
19 and Hong Kong and Singapore and throughout the Malaysian  
20 area to handle the growth there and we turn to them for

21 expertise in those specific markets and offer their  
22 assistance, you know, for any in-detail discussions of  
23 opportunities into those markets.

24           UNDER SECRETARY SCHUMACHER: Just one quick

1 question: As Dr. Putz in Texas indicated, things are not  
2 good in rural America. There is likely to be emergency  
3 package sometime August and September primarily focused  
4 on domestic agriculture. There's some senators on my  
5 staff and I'm working to have an export component to that  
6 emergency package because we are in some cases moving  
7 market share. The market access program, Jack, has been  
8 cut back to \$20 million. Would your industry, if some  
9 senators came up with an export component to that, we  
10 could talk to Senator Roth, Senator Biden, other  
11 senators, would they be helped if we found additional  
12 support on a temporary basis to further foster your  
13 commodity, your chicken exports overseas? Would that be  
14 of some help or do you feel you have sufficient  
15 institutional capacity to route your exports overseas ?

16 MR. KUCHARIK: Well, I believe we would  
17 support basically the -- at least have an access to  
18 export enhancement type funds that would allow us to  
19 penetrate some of the markets that are still subsidized.  
20 When you look at the chart that you showed of what

21 percentage of commodities are being exported as part of  
22 an industry, in poultry, as Mr. Turley said, you know,  
23 that ranges by company between, you know, 10 and 35  
24 percent of the particular company's poultry is being

1 exported. I think as an industry, it's around 17  
2 percent. When we can't sell that product overseas, it  
3 comes back and it does damage the domestic market. It  
4 does hurt the farmer because that product no longer can  
5 be sold in those other world markets. It comes back and  
6 must be sold in the domestic markets. And, you know, it  
7 just ends up hurting everyone as it pushes down domestic  
8 prices. It helps the consumer if the consumer gets to  
9 see that price. Right now we have a dislocation where  
10 the consumer is not seeing the low prices that poultry is  
11 receiving. At grocery stores, you're still selling about  
12 the same price.

13           UNDER SECRETARY SCHUMACHER: That's a  
14 polite term. You call it dislocation. I call it polite  
15 greed.

16           MR. KUCHARIK: Thank you.

17           UNDER SECRETARY SCHUMACHER: Thank you very  
18 much for coming here and counseling us on these very  
19 important issues. You're doing a great job on your  
20 exports. Thank you.

- 21 MR. KUCHARIK: Thank you.
- 22 MR. CLIFTON: Thank you, Mr. Kucharik.
- 23 Our next speaker is Ken Klippen, United Egg  
24 Producers, United Egg Association.

1           MR. KLIPPEN: Good morning, distinguished  
2 panel, honored guests, ladies and gentlemen, my name is  
3 Ken Klippen and I am vice-president and executive  
4 director for government relations of United Egg Producers  
5 and United Egg Association. And I appreciate the  
6 opportunity to convey those associations' views on  
7 barriers to agricultural trade, the U.S. government's  
8 position on agricultural policies under the World Trade  
9 Organization, the WTO, and the effect of import  
10 restraints on U.S. egg industries.

11           United Egg Producers represents  
12 approximately 80 percent of the egg production in the  
13 United States while United Egg Association represents 95  
14 percent of the egg further processors. It is the  
15 consensus of those groups that the United States can  
16 utilize the opportunity to present in the upcoming  
17 negotiations of the WTO to expand its exports. The U.S.  
18 egg industry supports fair and open markets throughout  
19 the world -- I guess that's called the equivalency  
20 issue -- and appreciates the opportunity to highlight

- 21 specific trade barriers currently happening so that we
- 22 can point out these unfair trade practices.
- 23           In a letter to President Clinton dated
- 24 April 1, 1999, my organization co-signed a letter with 56

1 other national associations and food producer/processor  
2 groups supporting the new round of multilateral trade  
3 negotiations under the WTO. And many of the objectives  
4 were highlighted in the Under Secretary's comments.

5           From the perspective of the U.S. egg  
6 industry, the substantive objectives of the Round should  
7 include that all industries should be part of the overall  
8 negotiation process -- a single undertaking.

9           All products and policies should be on the  
10 negotiating table. We should not allow our trading  
11 partners to exempt certain agricultural products in the  
12 talks. In particular, Canada's supply managed  
13 commodities including eggs must be subject to  
14 negotiation.

15           Export subsidies, including the Canadian  
16 subsidies for processed egg products, should be  
17 eliminated. Rules to prevent circumvention of subsidy  
18 disciplines should be tightened.

19           Dispute settlement procedures should be  
20 streamlined and improved, with particular emphasis on

- 21 ensuring the good faith implementation of panel
- 22 decisions.
- 23           Sound science and risk assessment should be
- 24 the foundation for sanitary and phytosanitary measures.

1 Social policies, such as animal welfare or the well-being  
2 laws in the European Union, should not be confused with  
3 health-based sanitary and phytosanitary measures. The  
4 U.S. should insist that the EU honor its obligations by  
5 respecting the zero tariff on inedible eggs exported from  
6 the U.S. to Europe. Recent European regulations apply  
7 different requirements to American products than those  
8 applied to the same products produced in Europe,  
9 nullifying and impairing U.S. benefits from the zero  
10 tariff.

11           The U.S. egg industry exports nearly three  
12 and four percent of its annual U.S. egg production but  
13 sees exports as a source of growth in sales as 96 percent  
14 of the world's consumers live outside the U.S. In terms  
15 of quality, U.S. eggs are superior. The U.S. is the only  
16 country that sanitizes, oils, and refrigerates its eggs  
17 from farm gate to supermarket door. Furthermore, the  
18 U.S. egg industry due to technological advances can  
19 produce an economical shell egg and egg product that can  
20 compete worldwide. Unfortunately, several countries do

- 21 not afford fair access to imported eggs and egg products.
- 22 European eggs are subsidized and thus have
- 23 the lion's share of the European markets. Canada export
- 24 subsidies violate rules existing under the GATT.

1           The U.S. egg industry utilizes its inedible  
2 eggs, that's cracked eggs, in the manufacture of pet  
3 foods and animal feeds. The volume represents about two  
4 percent of the nation's production. The EU has enacted  
5 regulations that contravene the multilateral negotiated  
6 agreements of the GATT by requiring a different  
7 denaturant for imports than the EU is using themselves.

8           On behalf of United Egg Association and  
9 United Egg Producers, I would like to thank the USTR for  
10 providing the opportunity to present this testimony on  
11 agricultural trade policy and import restraints affecting  
12 the U.S. egg industry. The egg industry supports, once  
13 again, fair and open markets throughout the world and is  
14 hopeful that the form for negotiations through the WTO  
15 remain the viable means for achieving this worthwhile  
16 goal.

17           Thank you.

18           UNDER SECRETARY SCHUMACHER: Thank you very  
19 much, Ken. Again, it's very helpful for us to get out.  
20 I was not aware, maybe I'm just not studying enough,

21 Teresa, is in Canada, we knew what they were doing in

22 dairy. That's the first time I heard that Canada -- did

23 you know that?

24           AMBASSADOR BAAS: No, I didn't.

1           UNDER SECRETARY SCHUMACHER: Could you send  
2 us a note, Ken, on an update as to where you feel that  
3 Canada is subsidizing -- two issues. The subsidy on  
4 Canadian egg products. We knew they were doing it on  
5 milk and we've taken it to the WTO. But we would  
6 appreciate more information on that if you could give  
7 that to us in writing.

8           MR. KLIPPEN: It's in my comments.

9           UNDER SECRETARY SCHUMACHER: Very good.

10          MR. KLIPPEN: In great detail.

11          UNDER SECRETARY SCHUMACHER: And the issue  
12 of the denatured, the egg powders, that is something new  
13 to me as well. I see the EU all the time. I have dinner  
14 with the French regulatory person. Maybe not a bad idea  
15 to let him know we have a little problem with her  
16 regulations on denatured egg powders for the lack of --  
17 what they do has to be consistent with their import  
18 regulations. Those two are very important. I appreciate  
19 you bringing that to our attention.

20          MR. KLIPPEN: In my written comments I have

21 details on both those trade barriers and I have presented  
22 those as well to Ambassador Barchevsky as well as to  
23 Secretary Glickman and I've visited with Tim Galvin, FAS,  
24 to thoroughly explain what the issues are. But I'd be

1 able to provide additional information.

2 UNDER SECRETARY SCHUMACHER: For poor old  
3 Jack Tarburton and I. Bring this more to our attention.

4 MR. KLIPPEN: Yes.

5 UNDER SECRETARY SCHUMACHER: I'll keep  
6 pushing on my colleagues here to get that a little higher  
7 on our priority list.

8 MR. KLIPPEN: Thank you very much.

9 MR. CLIFTON: Thank you, Mr. Klippen. Next  
10 we call on Mr. Robert Anderson, Walnut Acres Organic  
11 Farms and Nashville Organic Standards Board.

12 MR. ANDERSON: Good morning. I too really  
13 appreciate the opportunity to be here. I'm Bob Anderson.  
14 I'm the president of Walnut Acres Organic Farms,  
15 America's original organic farm established in 1946. For  
16 30 years now, I've been actively engaged in all aspects  
17 of organic farming, processing and I've now raised the  
18 third generation on the farm and in the industry. I've  
19 served as an ambassador to the American Trade Office  
20 during the first organic tour across Japan in 1993. And

21 for the last four years I have served the Secretary of  
22 Agriculture as chairman of the National Organic Standards  
23 Board. In fact, I've sat on your side of the table at  
24 many hearings across the country. Because of that, I'm

1 intimately aware of the workings of the government and  
2 the intricacies of world trade.

3           I'm here today to speak about  
4 opportunities. I stand before you representing and as a  
5 spokesperson for our family, our farm and our small  
6 business and the hundred employees that we employ in  
7 Pennsylvania and for organic farmers, processors,  
8 marketers and consumers throughout the world. The  
9 organic industry is the fastest growing segment of our  
10 agricultural economy and it is extremely important that  
11 the United States Department of Agriculture and the  
12 Office of U.S. Trade Policy Representative actively and  
13 aggressively promote open and fair trade policies for  
14 both the export and import of organic food products.

15           Our agricultural policies, as you know, and  
16 we've heard a lot about today, have, in fact, taken a  
17 bashing in Europe over the use of hormones in beef and  
18 the presence of genetically modified organisms in food.  
19 By aggressively promoting and encouraging organic food,  
20 the government has an unprecedented opportunity to turn

21 that around and at the same time keep family farmers on  
22 the land when we are losing small farms and farmers at a  
23 frightening rate. By expanding the global marketplace  
24 for specialized food processors, we can revitalize our

1 rural communities, improve our environment and support  
2 this very dynamic segment of American agriculture.

3 I'd like to point out that the Secretary  
4 has taken massive steps for our industry both in the  
5 issuing of the organic label through FSIS and especially  
6 through the very rapid implementation of the ISO 65  
7 accreditation through FSIS. And for that, we're very,  
8 very grateful.

9 As the organic industry grows, though, I  
10 truly believe that there must be a national strategic  
11 initiative to minimize the barriers to free organic trade  
12 while raising the bar for organic imports standards so we  
13 can develop reliable, high quality global sources of  
14 ingredients that consumers can buy with confidence.

15 Finally, the world is waiting for the  
16 release of our U.S. National Organic Standards and I urge  
17 both the USDA and the USTR to seize that opportunity to  
18 conduct a world tour promoting U.S. organic rule and  
19 showcasing the diversity of American organic  
20 agricultural.

21 I thank you very much.

22 UNDER SECRETARY SCHUMACHER: I think that

23 those three ideas are very, very helpful. I hadn't

24 thought about a world tour. It may be something that our

1 young people could look into a little bit. How do we  
2 staff that out, Kathy, once organic regs are out? That's  
3 a very good idea. Maybe you and other industry leaders  
4 could do various tours in Japan, in Taiwan, in Europe,  
5 China, South America and in Canada, to indicate here are  
6 our standards and these are products that we're going to  
7 be promoting very aggressively once those regs are  
8 established. That's a very, very good idea. I hadn't  
9 thought about that before.

10 MR. ANDERSON: I stand ready and willing to  
11 do that because I think the opportunity is terrific and  
12 there is absolutely no national standard anywhere in the  
13 world. I truly believe that we will lead that charter.

14 UNDER SECRETARY SCHUMACHER: Maybe Kathy  
15 and Frank -- Frank is very involved in this area. Maybe  
16 that's something you could give us a paper on and we can  
17 work that up with Bob in the organic, once the regs are  
18 out, then a rollout worldwide of the quality of our  
19 foods.

20 We see in Japan, when I was there a few

21 months ago, there's a menu in some of their equivalent of  
22 Denny's or fast food restaurants where they have food,  
23 very expensive food, two pages for children. And the  
24 children's menu has American flags in the product because

1 it says it's organic. And so they have American organic  
2 food in the children's menu in the largest, I think it's  
3 called Royale Restaurant chain.

4 But promoting that once our standards are  
5 out would be very interesting. I really appreciate the  
6 idea. Also raising the bar to make sure, if we're going  
7 to have national standards, then the whole question of  
8 equivalency is an important one. So very helpful.

9 MR. ANDERSON: Thank you very much.

10 UNDER SECRETARY SCHUMACHER: Get Frank and  
11 the team here to implement that suggestion.

12 MR. ANDERSON: Thank you very much for  
13 letting me be here.

14 MR. CLIFTON: Thank you, Mr. Anderson. The  
15 next speaker is Mr. Jerrell Heatwole, Dairy Farmers of  
16 America.

17 MR. HEATWOLE: Good morning. I am a dairy  
18 farmer on the Kent/Sussex County line and it's good to be  
19 here today. Before I get into the text of my remarks, I  
20 enjoy these types of sessions on several counts. I think

21 too often the farmer on the level that I'm at doesn't

22 feel like they have a voice in the process. So I

23 appreciate you coming for that here today.

24           Secondly, I always learn a lot from these

1 sessions. From the Governor this morning, I learned why  
2 I like chicken necks so well. Having spent 15 years in  
3 Jamaica, I understand that's where we send a lot of our  
4 chicken necks. And it did seem growing up that there did  
5 seem to be a lot of chicken foot soup for the few fowl  
6 that ran around in the neighbor's yards.

7           I'm pleased to appear before you today to  
8 testify on the topic of DFA's, Dairy Farmers of America,  
9 agricultural trade priorities for the upcoming WTO  
10 negotiations. DFA as well as the National Milk Producers  
11 Federation and the U.S. Dairy Export Council are  
12 committed to expanding exports of U.S. dairy products  
13 through the reduction of foreign trade barriers and other  
14 measures that distort international trade in milk and  
15 dairy products.

16           The U.S. dairy industry is the second  
17 largest agricultural commodity sector in the United  
18 States, measured by farm cash receipts of 20 billion per  
19 year, and is one of the top three agricultural sectors in  
20 fully half of the 50 states.

21           What we have learned in our relatively  
22 short export history is that American dairy products can  
23 and do perform successfully in markets where there is a  
24 level playing field and where trade-distorting practices

1 do not hamper our ability to compete. In our first year  
2 last year in operation, we exported over \$44 million  
3 worth of dairy products. In fact, the industry's slow  
4 and difficult emergence internationally stems from the  
5 fact that dairy is one of the world's most protected and  
6 subsidized industries.

7           When the Uruguay Round was deadlocked over  
8 agriculture, the U.S. dairy industry made many key  
9 concessions so that an agreement could be reached. Today  
10 agriculture has a history in the WTO and we must ensure  
11 that the next round serves first to revise the rules that  
12 have not worked.

13           By the same token, the dairy industry is  
14 very supportive of this Administration's effort to  
15 further reduce trade-distorting practices in agriculture.  
16 While we are prepared to do our part to accomplish that  
17 goal, dairy will not give further concessions unless we  
18 are given equal treatment.

19           Obviously, the next round must build on the  
20 accomplishments of the Uruguay Round. We believe that

21 the U.S. government in the upcoming round of negotiation

22 should address the following four issues.

23           Number one, the elimination by a certain

24 date of all remaining use of dairy export subsidies.

1 Export subsidies are extremely common in the world dairy  
2 trade. The use of these subsidies is a primary factor  
3 that keeps world dairy prices depressed below domestic  
4 prices and hobbles the expansion of sustainable  
5 commercial U.S. dairy exports.

6           Number two, substantial increases in real  
7 access through reduction of remaining trade barriers to  
8 U.S. dairy exports. Let me give you some examples of the  
9 kinds of barriers American dairy products face. The  
10 European Union, the world's largest dairy market, is able  
11 under the WTO commitments to impose tariffs at a rate of  
12 240 percent against all but very limited quantities of  
13 cheese, an important U.S. dairy export product. Canada,  
14 our largest trading partner, imposes tariffs on U.S.  
15 cheese at 245 percent.

16           The U.S. maintains tariff barriers against  
17 dairy imports but not at levels as high as these. This  
18 Administration must guarantee that upon implementation of  
19 the next round, countries will cap ordinary tariffs and  
20 harmonize tariff rate quotas. The U.S. industry

- 21 recognizes that it must give access to get access. Yet,
- 22 unless all countries participate in tariff reductions,
- 23 especially the highly protected markets that facilitate
- 24 the very high domestic prices through both small quotas

1 and very high overquota rate, the U.S. will remain the  
2 primary market for lower cost suppliers.

3           Phyto trade negotiations cannot result only  
4 in unilateral concessions made by our government. Any  
5 further opening of our market must be matched with  
6 enforceable and usable access to even more protected  
7 markets such as Canada, the European Union and Japan.

8           Number 3, continued reduction of all  
9 production-related domestic supports. The EU already  
10 produces up to 15 percent more milk than its domestic  
11 market requires, and this large surplus drives its  
12 continued heavy use of export subsidies.

13           We support the U.S. government position to  
14 tighten the rules on domestic support in order to ensure  
15 that support of rural communities is not used to defend  
16 production gluts that distort trade and prices.

17           Number four, improved transparency and  
18 disciplines on the trade-distorting effects of both  
19 import and export state trading enterprises. Export  
20 state trading enterprises provide de facto export

- 21 subsidies through their ability to price discriminate
- 22 between high- and low-value markets and their ability to
- 23 keep their transactions private. In dairy, the
- 24 New Zealand Dairy Board is the most conspicuous example.

1           With regard to the new WTO negotiations  
2 themselves, the U.S. dairy industry supports structuring  
3 the negotiations as a single undertaking encompassing all  
4 sectors, as opposed to a sector-by-sector approach. And  
5 it strongly supports renewal as soon as possible of  
6 fast-track negotiating authority to achieve a timely  
7 outcome that further reduces distortions to international  
8 dairy and agricultural trade.

9           I appreciate this opportunity.

10           UNDER SECRETARY SCHUMACHER: Thank you very  
11 much.

12           AMBASSADOR BAAS: May I ask one question,  
13 please? I was happy to hear that you exported \$44  
14 million in dairy products last year. I was interested in  
15 knowing whether you can give this to us: What the  
16 largest portion of that was in terms of the product and  
17 where perhaps it went and did DEP and all enter into your  
18 ability to do that?

19           MR. HEATWOLE: We might have done a little  
20 through DEP. We had some pending dehydrated products in

21 DEP but most of it was in whey powders and also in some  
22 drink formulations. Ironically, that goes to the  
23 Caribbean. In addition to some of their local products,  
24 that makes a fine mixed drink, I'm told.

1           AMBASSADOR BAAS: Thanks.

2           MR. CLIFTON: Thank you, Mr. Heatwole.

3           Now we call on Mr. John O'Donnell, Port of  
4 Wilmington, Diamond State Port Corporation.

5           MR. O'DONNELL: Good morning and thank you  
6 for the opportunity to address the Panel. I'm  
7 John O'Donnell, Director of Marketing and Trade for the  
8 Port of Wilmington, Delaware. Sandwiched between the  
9 mid-Atlantic mega ports of New York, New Jersey,  
10 Philadelphia, Baltimore and Virginia, we are Delaware's  
11 gateway port. And for the past several years, we have  
12 been the nation's number one port for imported fruit and  
13 produce and also for imported juice concentrates. We  
14 hold the distinction of being the nation's number one  
15 banana port with almost one million tons of bananas per  
16 year for Dole and Chiquita. In addition, we handle  
17 several hundreds of thousands of tons of deciduous fruit  
18 imports from Chile and New Zealand.

19           As an export gateway, we've handled frozen  
20 poultry exports to Russia for the Delmarva producers,

- 21 east coast apple shipments to Brazil and Costa Rica.
- 22 There's a regular service operating out of Wilmington to
- 23 Costa Rica, Honduras and Guatemala and every fall a
- 24 number of container loads of U.S. apples and other

1 deciduous fruits go down there through Wilmington. And  
2 in the past, we've also handled shipments of live  
3 Holstein dairy cows to north Africa.

4           From our perspective on the front line of  
5 trade and agricultural trade in particular, I would like  
6 to express the following concerns, issues and questions.  
7 First is a concern regarding the phyto of fumigation of  
8 imported fruits and produce. This having to do with  
9 impending or phyto plan phasing out of methylbromide as a  
10 fumigant and, at present, the lack of a viable  
11 substitute.

12           Every year the Port of Wilmington handles  
13 14 million boxes of Chilean grapes per year and tens of  
14 millions of dollars have been invested in the state of  
15 Delaware shipside warehouses, cold storage facilities and  
16 fumigation facilities where we fumigate and handle the  
17 fruit.

18           So the phyto of fumigation, naturally, is a  
19 vital question for our port and the employees of the  
20 port. And as long as a safe substitute for methylbromide

21 has not been found, we would like to ask that the  
22 government continue the use of methylbromide as a  
23 fumigant for imported fruits and avoid disruptions of  
24 this trade, which is so vital to us.

1           Secondly, I would like to express the  
2 Port's support for the USDA's proposal to permit limited  
3 imports of Argentine lemons and citrus from several  
4 provinces in Argentina's northwest region. We currently  
5 have a thriving trade in agricultural products from  
6 Argentina, mostly apple juice concentrate. And we have  
7 regular service of refrigerated vessels between Argentina  
8 and the Port of Wilmington which could provide a natural  
9 service for the citrus imports if they are approved.  
10 This proposal we see as resulting in new trade for the  
11 Port, new cargoes, new shipping opportunities and new job  
12 opportunities. Therefore, we support that.

13           We would like to express our concern over  
14 the extremely high and prohibitive tariffs levied against  
15 imports of lemon juice concentrates in the U.S. In the  
16 past on these same vessels, we used to receive lemon  
17 juice, frozen lemon juice concentrate from Argentina. In  
18 addition, we've also received some from Mexico, but in  
19 limited quantities. And looking at the existing tariff  
20 level, it seems to be quite high, almost 60-70 percent of

21 the product, making it one of the highest tariffs against  
22 any agricultural import. As a potential new trade for  
23 the Port and a new cargo for our warehouses, we would  
24 support the reduction or the elimination of the tariff.

1           Next, I would like to express our concern  
2 and disappointment over trade restrictions that were  
3 recently imposed by the President's Office on imports of  
4 lamb from New Zealand which we have been handling. It  
5 resulted in the loss of some trade and jobs at the Port  
6 and the loss of some cargo for one of our shipping lines  
7 which operate a regular refrigerated service from  
8 New Zealand to Wilmington. And like all trade  
9 restrictions and quotas, it seems to result in higher  
10 prices for the consumers as well.

11           Lastly, with all our trade and agricultural  
12 products, fruit, produce and frozen meat, juice  
13 concentrates, we have a significant USDA-APHIS/PPQ  
14 presence at the Port and I would just like to compliment  
15 that group and the Port of Wilmington contingent and just  
16 say what an outstanding job they're doing with limited  
17 resources. They have worked as a partner with the Port  
18 to expedite the tremendous growth in trade, especially  
19 with fruit and produce, and at the same time they are  
20 working very hard to protect U.S. agriculture. We also

21 have a small contingent of FSIS inspectors and likewise

22 they are doing an outstanding job as well.

23 Thank you.

24 UNDER SECRETARY SCHUMACHER: Thank you.

1 Very helpful to hear the other side of the debate. The  
2 lamb issue is an important one, similar to the apple  
3 concentrates. Those two issues, and I don't know if  
4 there'll be any people testifying from the southern  
5 Pennsylvania or Maryland apple industry here, but they  
6 are hurting very badly because of the alleged dumping of  
7 Chinese apple concentrate onto these markets.

8           Yesterday, the National Tariff and Trade  
9 Commission announced that there would be further review  
10 of that. They sustained the initial because of the  
11 destruction of our low-end apple -- smaller apple  
12 concentrate that has really devastated that tree. It  
13 cuts both ways. The sheep industry in Montana was very  
14 grumpy and grouchy with about the surge of  
15 Australian/New Zealand lamb that almost doubled in three  
16 or four years.

17           I think we don't mind, you know, fair and  
18 level trade, but when these surges come on that occurred  
19 in lamb and is occurring in Chinese apple concentrate,  
20 that is very destructive of our industry. And it cuts

- 21 both ways. So I think your testimony is very helpful.
- 22 We need a little more balance to where we are on this.
- 23 And the Port's certainly affected. Sell a few more
- 24 apples.

1           MR. O'DONNELL: We'd like to encourage more  
2 apple exports through the Port and even more exports of  
3 lamb if those were available.

4           UNDER SECRETARY SCHUMACHER: Thank you,  
5 sir.

6           AMBASSADOR BAAS: Has the Asian longhorn  
7 beetle had any effect on the operations of the Port of  
8 Wilmington?

9           MR. O'DONNELL: Not so far. Of course,  
10 they're on the lookout for it and have enacted very  
11 strict measures regarding the importation of any wood  
12 products from those countries. And we don't have a  
13 tremendous trade from Asia.

14          AMBASSADOR BAAS: It's all mainland China.

15          MR. O'DONNELL: Yes. So we haven't really  
16 experienced any problems.

17          AMBASSADOR BAAS: Thank you.

18          MR. CLIFTON: Thank you, Mr. O'Donnell.

19          Now from the Pennsylvania Farm Bureau,  
20 Mr. Guy Donaldson.

21 MR. DONALDSON: Distinguished Panel, my  
22 name is Guy Donaldson. I'm President of the Pennsylvania  
23 Farm Bureau and I'd like to recognize the Secretary of  
24 Agriculture of the state of Delaware. I came to know

1 Jack Tarburton in another life when he was President of  
2 the Delaware Farm Bureau. Jack, it's good to see you  
3 again.

4           SECRETARY TARBURTON: It's good to see you.

5           MR. DONALDSON: The Pennsylvania Farm  
6 Bureau represents 27,000 member families in Pennsylvania.  
7 Our members produce a great diversity of agricultural  
8 commodities from dairy, poultry and livestock, to fruits  
9 and vegetables. I was interested in the Secretary's  
10 comments and I'm going to get into that Chinese  
11 situation.

12           These exports help boost farm prices and  
13 income while supporting over 11,000 jobs from farm to  
14 processing, transportation and manufacturing of  
15 agriculture products. And the value of those products  
16 was \$542 million in 1997. Exports make up about 13  
17 percent of the farm cash receipts in the state.

18           I'd like to talk about two of our products,  
19 one being dairy and the other one being fruit. Our  
20 nation's dairy industry continues to compete with the

21 highly subsidized milk-pricing systems in the European  
22 Union and in Canada that provide competitively high  
23 prices for their producers domestically while providing  
24 competitively low-priced dairy products for export. The

1 European Union accounts for 85 percent of the government  
2 subsidization of dairy products in the world market.  
3 Dairy is our state's number one agricultural industry and  
4 we are the fourth leading dairy-producing state in the  
5 nation.

6           In 1997, Pennsylvania exported Dole  
7 \$47 million worth of dairy products. We recognize that  
8 about 50 percent of our dairy exports nationally are a  
9 result of some sort of government subsidization. While  
10 we recognize the need for more open dairy export market  
11 opportunities, we also cannot afford to unilaterally  
12 expose our producers to the concept of a free world  
13 market that doesn't exist. The Farm Bureau continues to  
14 support utilization of the Dairy Export Incentive Program  
15 to the full extent legal under our trade agreements.

16           Closer to home, the United States has  
17 recently won the WTO dispute settlement over Canada's  
18 importation quotas used to protect their domestic milk  
19 pricing system. We now anxiously await the  
20 implementation of the settlement. It's these types of

- 21 barriers that cloud the world market picture for U.S.
- 22 dairy export opportunities. While it remains unclear
- 23 just how promising the world market is for U.S. dairy
- 24 producers, we do know that a growing export market for

1 dairy products creates additional competition for  
2 existing milk supplies. Increased competition ultimately  
3 results in a larger more efficient dairy industry that  
4 enjoys market-clearing prices that are higher than what  
5 would prevail in a market without exports.

6           Now, as I said before, I'm an apple grower  
7 and I come from Adams County, a little place call  
8 Gettysburg. I don't know if you've ever heard of that  
9 before or not. My industry's export opportunities  
10 continue to be disadvantaged by countries such as Mexico  
11 and Japan who create phytosanitary barriers by requiring  
12 imported apples to be certified by our own inspectors at  
13 the expense of U.S. growers. While adequate inspection  
14 and certification can be performed by either state or  
15 USDA inspectors, these countries are mandating a  
16 cost-prohibitive requirement that would force producers  
17 to pay for and House foreign inspectors in order to have  
18 access to their markets.

19           The next round should result in tariff  
20 equalization and increased market access by requiring

- 21 U.S. trading partners to eliminate the tariff barriers
- 22 within specified time frames. Our producers compete
- 23 openly in their own domestic market with their foreign
- 24 competitors, but we are shut out of the export markets

1 due to prohibitively high tariffs. We need to correct  
2 this imbalance for our farmers. All WTO member countries  
3 should reduce tariffs, both bound and applied, in a  
4 manner that provides commercially meaningful access on an  
5 accelerated basis.

6           As has been stated earlier, the U.S. apple  
7 industry has filed a petition jointly with the U.S.  
8 Department of Commerce and U.S. International Trade  
9 Commission over the dumping of apple juice concentrate in  
10 the U.S. market at prices 91 percent below the cost of  
11 production. Apple juice concentrate imports from China  
12 increased more than 1200 percent between 1995 and 1998,  
13 from 3,000 metric tons in 1995 to 40,000 metric tons in  
14 '98. During that same time, the average price for apple  
15 juice concentrate from China declined by more than 50  
16 percent, from \$7.65 a gallon to \$3.57 a gallon. China's  
17 share of the U.S. market has increased from one percent  
18 in '95 to 18 percent in '98. U.S. apple growers have  
19 suffered economic losses as a result. Between '95 and  
20 '97, the average price that U.S. growers received for

21 juice apples fell 39 percent from \$153 a ton to \$93 a ton  
22 according to the USDA. As a consequence, many growers  
23 were forced to leave their apples in the orchards to rot  
24 because they could not recoup their cost of harvest.

1 I am a member of a fruit processing  
2 cooperative, Knouse Foods Cooperative, and until  
3 recently, we owned and operated a concentrate production  
4 facility. The massive increase in dumped concentrate  
5 from China that has occurred over the past few years has  
6 forced Knouse out of the concentrate business. And  
7 incidentally, they're part of the dumping suit that's  
8 going on right now.

9 Farm Bureau recognizes that China is not a  
10 WTO member country. However, we need to give China the  
11 opportunity to join WTO trade standards in order to  
12 address their dumping practices. Otherwise, we are  
13 forced to impose our own import duties on China apple  
14 juice concentrate. This is not the direction in which we  
15 can continue to move if we are to reach our goal of freer  
16 trade in agricultural world markets.

17 In summary, we support liberalization in  
18 global agricultural markets that will result in true  
19 reform of the current trading regime and bring about fair  
20 trade for all producers. The United States has a

21 tremendous opportunity before it to shape the agenda for  
22 the next round and should seize this chance to  
23 demonstrate to the world that we are committed to opening  
24 new markets for U.S. agriculture. Given the economic

1 turmoil being experienced in many of our important export  
2 markets, the launching of new negotiations to further  
3 open markets has never been more important.

4 Thank you so much.

5 MS. HOWSE: Yes. I just wanted to note  
6 that a couple of the problems that you've pointed out,  
7 ESPP barriers negotiated agreements with countries like  
8 Japan with regards to their inspectors coming here. It's  
9 been brought to our attention that some of the bilateral  
10 agreements that we negotiated back then when we first got  
11 into the game may be not necessarily the best agreements.  
12 And I think that the industry needs to work together with  
13 us, with USDA and USTR in ensuring that phyto bilateral  
14 agreements that we negotiate with regards to technical  
15 issues and standards are, in fact, consistent across the  
16 country so we don't set precedents, for example, in Japan  
17 with their inspectors coming here that we need to follow  
18 China, etcetera.

19 And we would have to rely on the industry  
20 as well to remember not to push us at the last minute to

21 cut a deal in order to get into the market that may again

22 cost us across the board later.

23 I think the same thing goes with regards

24 to precertification, something that we want to probably

1 try to stay away from in our bilateral agreements because  
2 it puts a lot of burden on our system and an extra step  
3 in terms of exporting and cost to U.S. producers.

4 MR. DONALDSON: I think the reason for that  
5 statement was I doubt very much whether our trading  
6 partners would want to have our inspectors come over and  
7 inspect their product coming in here. And that's the  
8 reason.

9 MS. HOWSE: And I think you want to get  
10 away from that in the trade agreements and the  
11 cooperation between government and industry will help  
12 assure that we don't do that.

13 MR. DONALDSON: I agree with that.

14 AMBASSADOR BAAS: Mr. Donaldson, I just  
15 want to compliment you on the quality of Adams County  
16 apples. I lived in 1994 to 1996 in Carlisle. I enjoyed  
17 the apples. I must say they were almost as good as  
18 Michigan apples that I remembered from my youth.

19 MR. DONALDSON: The Michigan apple growers  
20 would appreciate your comment.

21           SECRETARY TARBURTON: Guy, do you have a  
22 feeling about apple growers across the country -- this is  
23 a sanitary/phytosanitary question -- of what they might  
24 bring to the President or to Secretary Glickman regarding

1 pasteurization of juices for export? There have been  
2 some people in New England, particularly, and Gus has  
3 received a lot of letters from apple growers who would  
4 rather not go that route. But it just seems to me as if  
5 that's --

6 UNDER SECRETARY SCHUMACHER: You're  
7 referring to exports, Jack?

8 SECRETARY TARBURTON: Yeah. Well, if you  
9 don't embrace the practice, there will always be the  
10 question of which juice got into the bottle.

11 MR. DONALDSON: Having a retail farm market  
12 ourselves and having done cider, we were disappointed to  
13 see the pasteurization thing come down the road. Now,  
14 that result helped because someone was careless in using  
15 apples to make the cider. I'm sure there was, and I'm  
16 not being critical of our organic friends, but I'm sure  
17 there was manure used in the orchard. Something like  
18 that got on the apples and into the process.

19 Be that as it may, I think we need to  
20 ensure the consuming public that the product that we have

21 to sell is pure and wholesome and not have anything like  
22 that in it. I think we tried to do that. Most of the  
23 juice that I'm familiar with in the process side coming  
24 out of the factories is -- it is a product that has been

1 put through a heating process which would make, you know,  
2 would solve the problem as far as export is concerned.

3           Now, beyond that, I don't know what it is  
4 they're referring to. But I do know as far as this  
5 concentrate issue is concerned, we've been decimated by  
6 the price of juice apples. And Secretary Schumacher  
7 talked about calls. Well, actually it's the undersized  
8 apples, not necessary calls, but the undersized apples  
9 that go into that. And this year with the drought  
10 conditions that we have in Pennsylvania particularly, we  
11 are going to see a lot of that stuff going into juice.  
12 And at these kind of concentrate prices, we won't even  
13 near cover our cost of production. It'll be way below  
14 that. So we've got a hurting on us.

15           UNDER SECRETARY SCHUMACHER: The Chinese  
16 who we just announced, I think it was mentioned  
17 yesterday, yesterday we did announce that it was five to  
18 nothing vote for the ITC to move forward on the  
19 antidumping. That's going to take another few months, so  
20 it won't affect it immediately. But we're going to be

21 pretty aggressive.

22 MR. DONALDSON: Well, their production has

23 increased so dramatically over there, I can't even fathom

24 the number of acres that they've increased their

1 production. So we're going to continue to see it coming  
2 in here if we can't somehow resolve this issue.

3           UNDER SECRETARY SCHUMACHER: Just one final  
4 question. I'm sorry I was called to make a call. I was  
5 out in Washington last Friday. They have between 3 and  
6 4,000 family-sized orchards. I always thought that  
7 Washington state had these mega orchards and they have,  
8 you know, smaller orchards in the way some of the small  
9 orchards in Pennsylvania. And I've visited the orchards  
10 quite a bit over in Pennsylvania. John Rice and quite a  
11 few fine apple growers there. They are in free-fall in  
12 the state of Washington in the family apple business.  
13 They can't cash flow. A combination of exports haven't  
14 been quite as strong. But it's the concentrate issue.  
15 There's some problems in Mexico and they are requesting  
16 their senators to come up with some kind of relief  
17 package to help family orchards get through this crisis.  
18 Do you have any comments on that?

19           MR. DONALDSON: U.S. Apple had contacted me  
20 about sitting on a committee in Washington to address

21 this issue. Unfortunately, I was on a Farm Bureau  
22 committee that was addressing all of agriculture, not  
23 just the apple industry. And so I'm torn between which  
24 one do I go to.

1           The apple industry in Washington is  
2 dependent upon the fresh fruit market, primarily. And  
3 when export sales drop or cease to exist or, for whatever  
4 reason, it decimates those guys out there.

5           Now, what has happened with them is that  
6 the banks have said to the growers, because they can't  
7 cash flow, they either reduce the amount of credit that  
8 they give them to 50 percent or, in some cases, eliminate  
9 them. They can't get credit. And when you have a fresh  
10 fruit operation and you're on what they call a  
11 maintenance schedule, which is a bare bones minimum, the  
12 quality of the fresh fruit -- and I guess I should be  
13 careful how I say this because I don't want to hurt those  
14 guys out there -- but the quality of their fresh fruit  
15 may be very marginal this year. That could be even  
16 worse. That could compound the problem for them.

17           I think that, you know, we talk about the  
18 livestock industry getting disaster payments. And  
19 rightfully so. But here is a minor crop industry, a  
20 fruit and vegetable industry, that suffered the same

21 losses. And how do you respond to them? I think that's  
22 what the Washington growers are asking their Congressmen  
23 to look at if there's something they can do to help them.  
24 And if it helps Washington, it'll help the rest of us, I

1 think.

2           UNDER SECRETARY SCHUMACHER: It's very  
3 difficult to do it under federal -- Jack's condition in  
4 Massachusetts and it's very difficult -- the federal  
5 government cannot do it, what I call single state  
6 program. Whatever we do has to be a national program.  
7 And the question I think for phyto consideration, if the  
8 family-sized orchards in Washington which are in terrible  
9 economic stress, the banks will not cash flow them. They  
10 will not make the credit. If there is some kind of a  
11 support program, something that -- you know,  
12 Pennsylvania, you sound like you're not in as great a  
13 stress as they are in Washington. But I've been -- the  
14 Vermont orchards and New York orchards are in distress,  
15 especially west of New York as well. I mean, it's a  
16 domestic issue but it's also linked to the trade because  
17 of this Chinese dumping of apple concentrate.

18           MR. DONALDSON: I think the concentrate  
19 issue has made it rise to a higher level. And all states  
20 are really hurting as far as apples are concerned. It

21 isn't just Washington. It's across the board.

22           UNDER SECRETARY SCHUMACHER: Can we counsel

23 with you later on that issue?

24           MR. DONALDSON: You certainly can.

1           UNDER SECRETARY SCHUMACHER: There's going  
2 to be a lot of attention in the Congress to overall  
3 crisis, as Dr. Putz has said. But it's also affecting  
4 horticulture. Apples and cranberries. Cranberries have  
5 fallen from \$80 a barrel to \$23 a barrel. We always like  
6 that apple cranberry juice and we need to make more of  
7 it.

8           MR. CLIFTON: Thank you, Mr. Donaldson.  
9 Now we call on Mr. Peter Witmer from the Pennsylvania  
10 Department of Agriculture.

11           MR. WITMER: Distinguished Panel, honored  
12 guests, ladies and gentlemen, I'm Peter Witmer, Chief of  
13 the Domestic International Trade Division with the  
14 Pennsylvania Department of Agriculture.

15           On behalf of Governor Tom Ridge, Secretary  
16 of Agriculture Samuel Hayes, I would like to commend the  
17 United States Department of Agriculture and the United  
18 States Trade Representative for holding these listening  
19 sessions.

20           Agriculture is the number one industry in

21 Pennsylvania. The hard work and dedication of  
22 Pennsylvania's 50,000 farm families results in \$4 billion  
23 in cash receipts. Pennsylvania agriculture generates an  
24 additional \$40 billion annually in related economic

1 activity and creates jobs for one in every five  
2 Pennsylvanians.

3           With more than 2300 food processors, the  
4 highest number in the northeast, Pennsylvania ranks in  
5 the nation's top five among food processing states. And  
6 nowhere in the United States is there a greater source of  
7 Appalachian hardwood than in the world renowned forests  
8 of Pennsylvania.

9           Detailed testimony will be submitted later  
10 in written form. Our recommendations come as a result of  
11 the Commonwealth of Pennsylvania and the Department of  
12 Agriculture proactively seeking and building  
13 relationships around the world through their trade  
14 development programs. The statements here are  
15 experience-based.

16           First of all, Pennsylvanians believe in  
17 fair trade, that is, a level playing field. World demand  
18 for agricultural products continues to increase, but so  
19 does competition among suppliers. If Pennsylvania's  
20 agriculture, food and hardwoods industries are to compete

21 successfully for the export opportunities of the 21st  
22 century, they need fair trade and fair access to growing  
23 global markets. Hopefully this listening session as well  
24 as the previous ones this summer will provide you with

1 the input to address some of these issues at the WTO  
2 conference in Seattle.

3 I would now like to enumerate just some of  
4 the more pertinent trade issues affecting Pennsylvania  
5 agriculture, many of which have been already addressed by  
6 early industry speakers.

7 Dairy export subsidies and import tariffs  
8 are still very common in the world dairy trade. These  
9 allowable subsidies are the primary reason for world  
10 dairy prices being depressed below domestic prices,  
11 shackling Pennsylvania dairy exporters.

12 Although the United States is not  
13 considering the renegotiation of the sanitary and  
14 phytosanitary agreement, Pennsylvania continues to face a  
15 number of issues that we believe need to be addressed on  
16 sound scientific principles rather than political or  
17 cultural factors.

18 The Mystery Swine Disease known as PRRS  
19 continues to be an issue with Mexico.

20 Pennsylvania apple producers are

21 effectively barred from exporting apples to Mexico

22 because of inspection requirements.

23           Statements of disclosure requiring detailed

24 ingredient and process information are onerous

1 requirements of various countries.

2           Organic foods and inputs need an  
3 internationally recognized standard for labeling  
4 products, establishing certification bodies and  
5 reciprocity, where possible.

6           Pennsylvania exporters have encountered  
7 various problems with customs and labeling procedures.

8           An arbitrary increase in a product tariff  
9 or a reassignment of harmonized systems code numbers to  
10 raise the tariff.

11           Onerous mixed container requirements  
12 regarding paperwork and samples for inspection purposes.

13           The lack of standardization of labeling,  
14 stickering, language and ingredient requirements.

15           The U.S. Trade Representative must continue  
16 to press the issue of the EU's beef hormone ban based  
17 upon sound science.

18           To summarize, Pennsylvania agricultural  
19 exports continue to increase in volume and importance to  
20 meet global demand. It is very important that the trade

- 21 issues outlined above be addressed during the November
- 22 WTO conference.
- 23           These listening sessions are helpful and
- 24 symbolize the importance WTO issues hold for the states.

1 Many trade disputes have to be handled by the states.

2 They must have an active role in these negotiations.

3           We hope that you would have a come back  
4 session for us. This would keep us informed throughout  
5 the process. We need to know from our colleagues the  
6 plans for addressing these important issues as things  
7 progress.

8           Thank you for inviting us to appear before  
9 your panel.

10           UNDER SECRETARY SCHUMACHER: That's the  
11 first I've heard of a suggestion that maybe Teresa and  
12 Mark and the young people sitting here negotiate this  
13 agreement, that we, a year-and-a-half from now, we come  
14 back and do this again, update and let people comment on  
15 how far we've gotten. That's the first I've heard of  
16 that. I think that's a really good idea. Our staff  
17 would be grouchy about all the organizational  
18 arrangements, but I think it's an important issue and I  
19 think, you know, perhaps maybe in the summer of 2001 it  
20 would be helpful to see where we are and see if prices

21 come back in terms of Dr. Putz's -- how do you feel about  
22 that, Teresa? Come back and revisit and maybe some of  
23 the same people testifying, some neutrally, some  
24 grouchily. We'll see if there'll be more grumpy

1 statements or even more neutral statements. We shall  
2 see. But that's a very good idea.

3 MS. HOWSE: Presumably we'll be halfway  
4 through the negotiation. We'll still have time to change  
5 course a little bit and tackle it.

6 UNDER SECRETARY SCHUMACHER: Exactly.  
7 Let's put that in as a strong recommendation for coming  
8 out of the Delaware session. Thank you very much.

9 MR. WITMER: I appreciate that. Thank you.

10 MR. CLIFTON: Thank you, Mr. Witmer.

11 Our next speaker is Robert Baker from the  
12 Delaware Farm Bureau.

13 MR. BAKER: Distinguished Panel, Jack, Don.  
14 It's good to be here. I'd like to thank you for the  
15 opportunity to express the view of the farmer.

16 Now, you heard my name is Robert Baker and  
17 I represent the 4,000 members of the Delaware State Farm  
18 Bureau as president. I believe we'll bring a different  
19 perspective to this session.

20 We've all read all the numbers and heard

- 21 all the technical analysis, and I'll not repeat any of
- 22 the world demographics, trade surpluses, GMO safety,
- 23 buyer security, multiplier effects of agriculture
- 24 economies or any of the myriad of technical information.

1 You have this information and understand it better than  
2 I. However, there's a need to interpret the numbers,  
3 implement the knowledge and enforce the rules.

4 Farmers want fairness. We expect nothing  
5 less. We endeavor to live simple lives in an  
6 increasingly complex world. Years ago we competed with  
7 our neighbor across the fence. Then we competed with the  
8 midwest. Now we have just the world competition.

9 The European Union is a perfect example of  
10 what should not exist. Their protectionism places  
11 American farmers at a competitive disadvantage. Their  
12 price supports and your unimaginable trade barriers  
13 stimulate overproduction and excess stocks that are  
14 dumped into our potential markets. That's not fair.

15 Free trade is fair. Tariffs and embargoes  
16 are not. No one should be allowed to have it both ways.  
17 If they wish to continue their current policies, there  
18 could be no better time than now to play the game their  
19 way. The U.S. economy is robust. The European economy  
20 is struggling. If they will not obey the rules and trade

21 fairly, then we should not be afraid to beat them at  
22 their own game. We can adjust our programs and trade  
23 policies to level the playing field. Perhaps then, the  
24 American farmer can enjoy the prosperity that the general

1 population has for the last few years.

2           The highest risk and the lowest returns go  
3 to the weakest. I'd like to repeat that because I think  
4 that's key. The highest risks and the lowest returns go  
5 to the weakest. Something's gone terribly wrong.  
6 Athletes and entertainers are signing multimillion dollar  
7 contracts at the same time that farmers are increasingly  
8 taking all farm jobs in an attempt to support their  
9 families. And that's the position that the American  
10 farmer is in.

11           Our increases in yield and our advances in  
12 the biotech fields have been used against us. Our  
13 standards of living are eroding and despite our best  
14 efforts, we are powerless to reverse the trend. Farmers  
15 are subsidizing the U.S. economy with cheap food.

16           World Trade Organization rules that are  
17 permanent with painful, punitive, penalties is what is  
18 needed. I call that the four Ps, permanent, painful,  
19 punitive, penalties. There should not be round after  
20 round of negotiations. Permanent protocols should be

21 established. It cannot be acceptable for any nation,  
22 continent or hemisphere to agree to terms and then ignore  
23 them and then go back to business as usual. If the rules  
24 of the Uruguay Round are not going to be followed, there

1 should be one final negotiating round with lasting rules  
2 that must be complied with. The nations that are tempted  
3 to stray would know in advance what the price would be  
4 for not playing fair. If adjustments are needed or as  
5 nations tinker with the intent, the World Trade  
6 Organization would convene and decide the fate of the bad  
7 actors.

8           Food sanctions are not an effective means  
9 of placing sanctions on bad actors. This creates a  
10 lose/lose situation that is destabilizing for world  
11 peace. Wars are fought by hungry people.

12           Furthermore, if there are better ways to  
13 sanction nations, food sanctions are negative impacts on  
14 the most important economic sector for U.S. trade. The  
15 American farmer loses.

16           As a personal comment, I would say that I  
17 believe it is also morally wrong to starve people to  
18 sanction their nations. The political leaders that  
19 perpetuate policies that create sanctionable offenses  
20 never appear to get hungry, but their populations suffer

21 terribly.

22           Finally, I would say that American

23 agriculture is the number one issue for the trade

24 representative. Any attempt to early harvest or give

1 others an advantage on this important issue will weaken  
2 the U.S. Trade Representative's negotiating position and  
3 ultimately hurt the U.S. farmer.

4 Thank you very much.

5 UNDER SECRETARY SCHUMACHER: Thank you very  
6 much. You've raised one important issue and that's a new  
7 important issue. One of them is the question of food and  
8 sanctions. We have been, in fact, I'm very, very proud  
9 of the market's leadership in the State Department  
10 because Congress is leisurely, they're moving but it's  
11 rather leisurely, on the issue of sanctions. It's a  
12 difference of opinion of the majority on that issue. But  
13 the State Department and the Administration has worked to  
14 basically put out regulations which we hope to announce  
15 very, very shortly. I can't say exactly when, but I  
16 think you see my body language, very, very shortly, on  
17 Iran and Sudan, countries we don't agree with politically  
18 but we agree with strongly food and medicine is important  
19 to help their mothers and children in that regard.

20 So we share your views on that and we are

- 21 moving administratively and we hope the Congress will
- 22 pick up the pace on their leisurely view of the
- 23 administration that of providing our fine products from
- 24 here going into certain countries.

1 MR. BAKER: Thank you very much.

2 MR. CLIFTON: Thank you, Robert.

3 The clock I'm looking at shows about 11:46.

4 We have time for a couple more speakers before we break

5 at noon. Our next speaker is Mr. Steve Phillips, of

6 Phillips Foods.

7 MR. PHILLIPS: I want to first of all thank

8 you very much for this time. My name is Steve Phillips.

9 I'm Chief Executive Officer of Phillips Seafood

10 Restaurants and also a company called Phillips Foods.

11 And I'm here to discuss a situation that we might be

12 confronted with which I think would give great damage to

13 our company, our company in the United States and also

14 Asia. We employ, I guess, about 3,000 people in the

15 United States and we employ, I would say about 10,000

16 people in Asia. We, of course, have a group of

17 restaurants and hotels. We also have a seafood

18 processing factories. And we have two located on the

19 Chesapeake Bay, one of those is called A. Phillips & Son,

20 which my grandfather started back in 1914. And, of

21 course, my sons are in the business now. So it's really  
22 four generations. And we have another factory in place  
23 called Deals out of Maryland. So we have two on the  
24 Chesapeake Bay.

1           I was confronted with a situation ten years  
2 ago running our restaurants. Our restaurants, I don't  
3 know if you're familiar with those or not, are noted for  
4 crab. That's why customers come to our restaurants for  
5 crab products. And about 55 percent of our restaurant  
6 business is derived from, you know, the sale of crab  
7 products. And ten years ago, because of the declining  
8 resource in the Chesapeake Bay, we were faced with the  
9 fact that I couldn't get crab meat to serve crab dishes  
10 on our menus for our customers that demanded crab. So I  
11 went in search for it and I went to Asia and discovered  
12 that -- I first went to the Philippines and really had to  
13 do my own feasibility study because there was no data.  
14 Then I went to Thailand. And they had a very similar  
15 crab that we have in the bay. It's a different crab call  
16 Pertunas. Our crab in the bay is called Calnaktase.  
17 That's a Latin name which I sometimes have trouble  
18 pronouncing. Anyway, it's a very similar crab.

19           So really for the survival of our  
20 restaurant business and employees that we have within

21 those restaurants, you know, I opened a processing plant  
22 in the Philippines, a small one first, basically to  
23 supply our restaurants. And, of course, a lot of our  
24 restaurateurs had the same problem. You know, they could

1 not get crab meat, especially during the winter months.  
2 As you know, or maybe you don't know, in Maryland, crab  
3 meat is seasonal. People don't crab during the  
4 wintertime. The factories don't operate. It's a real  
5 issue and a real problem. And, of course, our  
6 restaurants stay open on a year-round basis.

7           Since that time ten years ago when I went  
8 there, we've had such demand for our product that we've,  
9 in the last several years, opened offices in Newark with  
10 our own people. We don't use broker networks. With our  
11 own people. New York, Florida, Houston, Chicago, Texas,  
12 London and in our business the demand for our product has  
13 grown tremendously. Crab products now throughout the  
14 United States is kind of like a, quote, hot menu item.  
15 And out west, you know, people that never knew anything  
16 about crab before, you see those on all the menus in  
17 restaurants all throughout the United States, where  
18 before it was just a regional product.

19           There has been a surge in quotation  
20 crabbing. Where there's been even more of a surge in the

21 demand that's been created for these products which has,

22 you know, has to be considered also.

23           We spent a lot of money and a lot of time

24 and a lot of effort. We're a very customer-driven

1 company. You know, we do the Boston seafood show,  
2 Chicago hotel and motel restaurant show, Las Vegas  
3 seafood show, San Francisco seafood show, a lot of shows  
4 all the time to help create a demand for our product.

5           The problem we're really confronted with is  
6 some of the U.S. packers also, unfortunately, are facing  
7 declining raw material to really process because of the  
8 decline in the natural resource. You know, sometimes  
9 it's an excuse maybe for another problem. I think it's  
10 human nature. And blame it on foreign importation.

11           The crab meat that we import, we don't dump  
12 that crab meat. It sells at the same price or at a  
13 higher price than domestic product. It's not really a  
14 dumping issue at all. You know, without imported crab  
15 meat, I think all of us that maybe enjoy crab cakes, if  
16 it's not allowed, those import quotas imposed, we may be  
17 paying \$35 for a crab cake sandwich or \$50 for crab meat.  
18 All seafood restaurants would be damaged severely if that  
19 occurred.

20           You know, the real cause of this whole

21 issue is not really importation. To me, it's really the  
22 decline in our resource. If you look at the Chesapeake  
23 Bay, when I was a young boy growing up, my grandfather  
24 was a waterman. I used to go oystering with him in the

1 wintertime, crabbing with him in the summer. I looked  
2 down in five foot of water and you could see the bay  
3 grasses going and the bay was very plentiful. We had a  
4 tremendous oyster harvest. That's pretty much gone.

5           Our rock fish in the Chesapeake Bay were  
6 pretty much depleted several years ago. The soft shell  
7 clam industry is basically gone. And, you know, the crab  
8 is, of course, taking all the stress because that's  
9 pretty much the only thing left. And, you know, this  
10 year, once again, started out to be a bad year. The  
11 factory that we have in Hooper's Island over pretty much  
12 90 percent of our production so far year to date has been  
13 from Louisiana crabs that we import into Maryland from  
14 Louisiana. Probably half the crab meat in Maryland is  
15 crab is from out of state.

16           So, you know, it's a real issue that we're  
17 confronted with. You know, I certainly don't want to see  
18 any harm, you know, come to our fellow packers in  
19 Maryland or North Carolina or Virginia, but, you know,  
20 it's not really the importation of crab meat. It's the

21 decline in the natural resource.

22           So, thank you very much for letting me

23 speak.

24           MS. HOWSE: I do have a comment. You've

1 been very tireless in your efforts and I think have done  
2 a very good job of bringing this to the attention of  
3 Ambassador Barchevsky and others. I've seen letters and  
4 all. So I must commend you along with your Congresswoman  
5 who's also written to us and called several times, just  
6 so you know. There are two sides to every knife and we  
7 hear very well what you're saying.

8           To my knowledge, no one has approached us  
9 with a request in the U.S. government to take action so  
10 far.

11           MR. PHILLIPS: I understand. Thank you for  
12 the time. I know Americans are for free trade. I just  
13 hope American deeds match American words. So thank you.

14           MR. CLIFTON: Thank you, Mr. Phillips.

15           Now we call on Mr. John Pastor from the  
16 Delaware Economic Development Office.

17           MR. PASTOR: Thank you, Distinguished  
18 Panel. My name is John Pastor. I'm from the state of  
19 Delaware Economic Development Office. Just to let you  
20 know who we are, we are the one-stop resource for

21 international trade for the state of Delaware. When  
22 Governor Carper took office, with the wisdom of  
23 Jack Tarburton, all the efforts of international  
24 activities, agriculture, whether it's industrial, were

1 centralized to maximize the resources of the state and  
2 minimize the cost. We are this one-stop shop and we work  
3 very close to with our Department of Agriculture as well  
4 as all departments in the state agency.

5           First, I want to thank you, USDA, USTR for  
6 the supply of information and accurate information that  
7 we receive and we are able to disseminate to Delaware  
8 businesses. This is critical to us. We need to make  
9 sure that we know what other changes are occurring and we  
10 want to send this information out to our companies. So  
11 the information you have been supplying us on a regular  
12 basis is critical to us.

13           We are also a member, an active member of  
14 the Food Export Council USA, which, some of you know, all  
15 of you should know is the ten northeastern states in the  
16 United States who work very closely together in promoting  
17 agricultural products throughout the world. Here is  
18 where you can help us a little bit since you asked for  
19 information. We would like to see how you can increase  
20 the ability of the Food Export Council to assist small

21 and medium-sized agricultural exporters by facilitating

22 and assisting the promotion, specifically financing, of

23 their product promotion overseas.

24 We would like to take niche markets, niche

1 companies, niche products overseas on a regular basis  
2 and, therefore, the Food Export Council is a key element  
3 in bringing the ten states together so we can pool our  
4 resources and assist the agricultural community.

5           You mentioned about the French cheese  
6 exports and imports into the U.S. I think one of the  
7 things you may want to do in your negotiations is to  
8 remind these countries, especially the French, that  
9 several years ago the French wine industry was the most  
10 powerful in the world. Today they're second to the U.S.  
11 and that's what will happen to their cheese industry if  
12 they don't cooperate with the U.S. We're the largest  
13 market in the world. And if you can't sell your product  
14 in this market, go into another business.

15           Our governor mentioned before about the  
16 healthy people in the United States. They eat well. He  
17 also mentioned that he visited the Middle East and Asia.  
18 I happened to be with him on these voyages. And I can  
19 tell you the people are very thin overseas. So the  
20 European community seems to not like what we put in our

21 food. They should be made aware of the life expectancy  
22 in the United States versus everywhere else in the world.  
23 Evidently we must be doing something right in our food  
24 ingredients because our people are healthy and live

1 longer.

2           In summary, since I am between you and  
3 lunch, anything you can do to eliminate tariffs and  
4 non-tariff barriers will help Delaware businesses and  
5 agricultural products overseas. Anything you can do, it  
6 will do it. You will help us and help the Delaware  
7 businesses in promoting and expanding their international  
8 markets.

9           So I leave you with one comment. Please  
10 continue providing us with information so that we can  
11 pass this on to the Delaware businesses.

12           Thank you.

13           MS. HOWSE: I do have a comment. I'd like  
14 to comment as well that we would like for you to keep  
15 providing us with information so that we can --

16           MR. PASTOR: I'm sorry?

17           MS. HOWSE: For the industry and for the  
18 farm producer groups to continue supplying us with  
19 information for these listening sessions. As a result of  
20 these listening sessions, this is just the beginning of a

21 partnership that we can form to get information. So  
22 we'll be looking to you for continued input not only on  
23 the next round issues, but also with regards to bilateral  
24 issues. And many of these things that have been brought

1 up in the listening session can be handled through  
2 bilateral negotiations as well which are ongoing. And  
3 just keep it in mind.

4 MR. PASTOR: Well, you have to remember in  
5 the state of Delaware, the export promotion program to my  
6 colleague in the state of Pennsylvania are two people,  
7 myself and my colleague, and Mr. Matthey. So it's very  
8 important that we receive this information on a regular  
9 basis. And you know where to send it. You have a  
10 one-stop single point of contact in our state. Thank you  
11 very much.

12 MS. HOWSE: Thanks.

13 MR. CLIFTON: Thank you, Mr. Pastor. And  
14 you closed right on time.

15 We'll break now for lunch. We will start  
16 back very promptly at 1:00. It looks as though we're  
17 very much on schedule to be able to finish at the  
18 allotted time. So let's go and support our agriculture  
19 by eating a nice lunch.

20 Thank you very much.

21 (The listening session was recessed for

22 lunch.)

23 - - - - -

24 MR. CLIFTON: Okay. Ladies and gentlemen,

1 please find your seats. We'll resume where we left off.  
2 We'll hear next from the lady from down my area of the  
3 country, Sussex County, Delaware. Ms. Jane Mitchell from  
4 the Delaware Council of Farm Organizations.

5 MS. MITCHELL: Ladies and gentlemen, I'm  
6 glad to see you here in Delaware and I hope you have a  
7 nice time while you're here. We are proud of our state.

8 I'd just like to mention so you know where  
9 I'm coming from, I've been married to a farmer for 53  
10 years, so I have an understanding of agriculture. I'm  
11 also the representative of the Farm and Preservation  
12 Foundation and, of course, president of the Delaware  
13 Council of Farm Organizations, also. But I guess my  
14 roots run deep. But thanks for this opportunity.

15 There's nothing to compare with living on a  
16 farm. At least it was enjoyable until overdevelopment  
17 stressed upon us. Our farmers are having a very  
18 difficult time making a living for their families. How  
19 can a farmer make a living on his land when every product  
20 to produce a crop is priced excessively high? When at

- 21 harvest time, if he has been fortunate enough to harvest
- 22 a crop, the price for growing that crop is totally
- 23 unacceptable and the farmer goes deeper in debt?
- 24           You probably know more about this

1 genetically altered food, grains than I need to know.  
2 But there's a great deal of talk that altered foods will  
3 not be accepted by consumers. Already there are  
4 countries who don't want to buy our products because of  
5 the biotechnology that we have. If farmers grow these  
6 genetically altered crops, if something goes awry, guess  
7 who is the first to get blamed? Certainly not the big  
8 corporations who are taking in the big bucks at the  
9 farmer's expense. Those genetically produced seeds, when  
10 you used to buy corn at 20 or 30 or 60 dollars a bag, it  
11 goes up to 200 dollars and that's a great expense for a  
12 farmer.

13           I don't know if I personally can trust the  
14 people who say something we eat is not good because it  
15 raises your cholesterol or will cause cancer and then  
16 they come back in a few years and say, sorry, we made a  
17 mistake. You can go ahead and eat that. It's good for  
18 you. Or to turn this around and assure me of safe food  
19 and later be told it isn't good for me. I see many  
20 pitfalls for our farmers because of the alteration of our

21 basic grains and food.

22           There will be many, many people to be fed

23 in the phyto, according to predictors of population

24 growth. Who is going to supply these needs if farmland

1 is covered with houses, cement, blacktop, parking lots  
2 and shopping malls? If a farmer cannot make a living for  
3 his farm, those development dollars look real good. Our  
4 farmers are becoming an endangered species and I think  
5 we're probably close to the edge now. Less than two  
6 percent of our population are farmers.

7           The Delaware farm preservation program has  
8 been very successful. We continually need funding to  
9 preserve our farms in perpetuity so agriculture will be  
10 in our phyto. There must be more give-and-take in  
11 exports and imports. The U.S. officials need to put U.S.  
12 agriculture first. Americans are the most generous  
13 people on earth. Helping people to help themselves with  
14 our knowledge and ingenuity. We practically helped  
15 ourselves out of business with our efficiency and  
16 know-how. And we're paying for it.

17           Farmers are good stewards of the land,  
18 cooperative, generously sharing with others. Farmers are  
19 the first environmentalists. Why should the people who  
20 are dedicated to providing the daily bread for so many be

21 in such a stressful situation? Some will survive.

22 Others will not. I hope I'm wrong.

23           On July 13th, the National Press Club, U.S.

24 Secretary of Agriculture Dan Glickman spoke and said,

1 farmers need help through this period of depressed  
2 prices, slumping exports and economic disaster. We need  
3 a balance between fairness to farmers and corporate  
4 returns. In your position, ladies and gentlemen, you  
5 have the opportunity to, and the ways and means at your  
6 disposal to use your influence to hold production costs  
7 down and price the harvests up and give the farmer a  
8 level playing field.

9           We want to have Delaware in agriculture in  
10 the phyto and if we can't grow it, you can't ship it.  
11 It's as simple as that.

12           Thank you.

13           UNDER SECRETARY SCHUMACHER: I want to  
14 commend you on your extraordinary leadership. I didn't  
15 realize Jack was pushing on you and your Governor and  
16 ourselves now. You so elevated your pressure to the  
17 federal level, which is terrific. I think farm  
18 preservation is very, very important. Because without  
19 the base farm, we can't have a sustained -- if you don't  
20 have a sustainable preserved land. I think Delaware's

21 leadership on that and your, shall we say, strong

22 encouragement to Delaware farm preservation is very

23 important.

24           On the GMO issue, the biotech issue, the

1 Secretary did make a major speech on July 13th. You do  
2 have a major company here in Delaware that is very  
3 involved in that. They have been supporting this  
4 University, in fact, I've been told for a little bit as  
5 well. But I think companies, also the Secretary said,  
6 have to have some corporate citizenship and help educate  
7 not just farmers but also consumers. These products are  
8 safe, that they benefit the environment by reducing  
9 pesticides, and over time they will be able to benefit  
10 consumers by having some probably health effects as well.

11           So we value your counsel both for our  
12 citizens in the farm protection and commend you for your  
13 leadership over the many years that you counseled Jack  
14 and his predecessors and the successes that he's made.

15           MS. MITCHELL: Well, thank you very much.  
16 It's my pleasure. I enjoy this and I'm not going to give  
17 it up until I get too old.

18           MR. CLIFTON: Thank you, Mrs. Mitchell.

19           Now from the Delaware Department of  
20 Agriculture, Mr. Don Eggen.

21 MR. EGGEN: Welcome to Delaware. And Jack,  
22 I promise to keep it to five minutes. I heard with  
23 interest the two of you are former Michiganers. I'm a  
24 native of Michigan myself. I wish the Governor was still

1 here. I'd like to point out that I went to the  
2 University of Michigan and our Governor's a graduate of  
3 Ohio State. So I'd like to point that out every  
4 opportunity I can.

5 I'm the Plant Industries Administrator at  
6 the Delaware Department of Agriculture and I serve as the  
7 State Plant Regulatory Official for Delaware. And today  
8 I'm also wearing a couple of hats. I'm a member of the  
9 National Plant Board and I'm the newly elected Chair of  
10 the Delaware Invasive Species Council.

11 I returned from Washington, D.C., where  
12 yesterday the first National Invasive Species Council  
13 meeting occurred chaired by Secretary Babbitt of Interior  
14 and Secretary Glickman of Agriculture and Secretary Daley  
15 of Commerce. This council was formed by an Executive  
16 Order signed by the President in February to develop a  
17 national invasive species management plan. Non-native  
18 invasive species are number two behind habit destruction  
19 for the decrease in species biodiversity. Each year in  
20 the United States, an area twice the size of Delaware is

21 newly impacted by invasive species.

22           The National Plant Board is composed of all

23 the states and Puerto Rico Plant Regulatory officials.

24 The National Plant Board works very closely with USDA,

1 Animal Health Plant Inspection Species, the Plant  
2 Protection Quarantine Unit to safeguard the environment  
3 from unwanted plant pests. State Plant Regulatory  
4 officials are responsible for conducting the pest  
5 surveys, enforcing state and federal quarantines, and  
6 assisting with the export of agricultural products by  
7 conducting the export certification inspections and  
8 ensuring phytosanitary measures of the importing country  
9 are complied with.

10 Our mission and purpose is the same as the  
11 International Plant Protection Convention to, quote,  
12 secure common and effective action, to prevent the spread  
13 and introduction of pests of plants and plant products  
14 and promote measures for their control. The National  
15 Plant Board also works to facilitate trade through  
16 harmonization of standards and inspections. And the  
17 Canadian/U.S. Japanese beetle harmonization plan is an  
18 example of USDA and the Canadian Food Inspection Agency,  
19 National Plant Board industry cooperation. We believe  
20 phytosanitary requirements regarding plants, plant pests

21 and plant products should be science-based. We fully  
22 support implementation of science-based phytosanitary  
23 standards.

24           The State Departments of Agriculture are

1 also responsible for conducting pest surveys that  
2 determine pest-free zones. And this information is put  
3 into a national database that is used by the U.S. to  
4 determine where plant pests occur in the U.S. However,  
5 the U.S. is one of only a few number of countries with  
6 such an extensive database identifying where plant pests  
7 occur in the country. Now, while this information is  
8 very useful to our federal government and to the states,  
9 it can be used against the U.S. in agricultural trade.  
10 Many importing countries often do not supply similar  
11 extensive pest survey information. This is a concern of  
12 mine as a Delaware State Plant Regulatory official and of  
13 the National Plant Board.

14           Another concern we have is a country of  
15 origin issue. Plant products trans-shipped from one  
16 country to another and then into the U.S. need to be  
17 clearly identified. And specific examples is the  
18 European Union trans-shipping plant material to the U.S.  
19 through Canada is a good example of that issue.

20           A major pathway for plant pests to be

21 spread around the world is through international trade.  
22 And agricultural products do not necessarily have to be  
23 involved. As you know, the recent infestations in New  
24 York City and Chicago of the Asian long-horned beetle in

1 solid wood packing material from China is a good example.

2           One such issue that addresses the Asian  
3 long-horned beetle from China, preclearance of cargo at  
4 the port of origin of the exporting country would save  
5 time, money and help protect our country from plant pests  
6 reaching our shores.

7           The National Plant Board supports improved  
8 trade relations, both incoming and outgoing, but without  
9 compromising plant protection and protection of our  
10 environment.

11           Thank you.

12           MS. HOWSE: I do have a question on the  
13 preclearance of port of export. By that do you mean by  
14 our counterpart agencies in other countries? Let's say  
15 in China for the Asian long-horned beetle by USDA, U.S.  
16 government inspectors?

17           MR. EGGEN: In general, from the country  
18 that's exporting.

19           MS. HOWSE: Right. Just whoever does it.

20           MR. EGGEN: Yes.

21 MS. HOWSE: Okay. Good.

22 MR. EGGEN: That's a big issue. Waiting

23 for it to come over here, so much comes into this

24 country. Our agricultural inspectors from the USDA do a

1 good job. I just saw some recent models that  
2 infestations of non-native species coming into countries,  
3 into a country, usually there's an exponential rate of  
4 increase. Now, it's still increasing in the U.S., but  
5 it's more of a linear, which means that we're making some  
6 kind of impact at our borders. But with the increased  
7 trade, more and more of this material is coming in all  
8 the time. And it only takes one.

9           Just look at the millions of dollars that  
10 are spent on citrus canker, are spent on med fly, are  
11 spent on gypsy moth, are spent on all of these things.  
12 That's what we're concerned about.

13           Many people today mentioned a level playing  
14 field. And it's the same thing with phytosanitary issues  
15 and standards. If everybody follows those, then we don't  
16 have a problem.

17           UNDER SECRETARY SCHUMACHER: What do you  
18 worry about the most? The plant department? You drive  
19 down 95, drive up 95 coming back from Washington, or  
20 going down, what do you not lose sleep over but gives you

21 pause?

22 MR. EGGEN: Oh, geez. Any number of

23 things. That's one thing that we actually rely on the

24 feds, USDA, for is that pathway analysis. That's a huge

1 issue. What things do we need to be looking for? I  
2 mean, we have a lot of things already here and  
3 established that cause us concern. Asian long-horned  
4 beetle, the only control is to cut down the tree and chip  
5 it up and burn it. There is no other control. There's  
6 some recent information they just announced yesterday a  
7 possible lure to attract the beetles. So that's a big  
8 concern. But anything that really affects the  
9 environment or our crops, etcetera.

10 I mean, just -- and the thing is that this  
11 goes the other way, too. The U.S. has done a very good  
12 job of shipping some of our plant pests around the world.  
13 That's why I say, a level playing field in phytosanitary  
14 standards and then enforcing them.

15 SECRETARY TARBURTON: Don, does the plant  
16 board address bioterrorism much yet?

17 MR. EGGEN: That was raised at one of our  
18 more recent Plant Board meetings and alls I can say is  
19 what the USDA officials told us is they're working,  
20 there's a project, they're looking into it. But they

21 couldn't tell us too much more than that because it's

22 security.

23           SECRETARY TARBURTON: So you're not getting

24 into the avenues or methods of introduction into the

1 United States?

2 MR. EGGEN: Not the National Plant Board,  
3 but USDA is.

4 SECRETARY TARBURTON: They're being tasked  
5 with this.

6 UNDER SECRETARY SCHUMACHER: We have a  
7 separate team on that. I can't discuss it here.

8 MR. EGGEN: Yes. Thank you.

9 MR. CLIFTON: Next up, Mr. Ross Browne, Jr.  
10 from G.B. International, Incorporated.

11 MR. BROWNE: Good afternoon, ladies and  
12 gentlemen. I'd like to thank you for providing my  
13 company with the opportunity to express its views  
14 regarding U.S. agricultural trade policy before the next  
15 round of multilateral trade negotiations of the WTO.

16 My name is Ross Browne. I'm Vice-president  
17 of Logistics of G.B. International. G.B. International  
18 is an importer and distributor of fruit juice  
19 concentrates and food ingredients for the U.S. food  
20 industry. We are based in Madison, New Jersey. We

21 source our fruit juice concentrates and food ingredients  
22 both domestically and internationally. Our international  
23 fruit juices are imported through several U.S. maritime  
24 ports. Imports of fruit juice and food ingredients are

1 of great importance to the economy of this area since  
2 they've increased commercial maritime traffic in the  
3 eastern part of the U.S.

4           G.B. International fully supports  
5 agricultural trade liberalization in the next round of  
6 multilateral trade organizations of the WTO. Even though  
7 the 1984 Uruguay Round of GATT negotiations gave us some  
8 tariff reductions, many agricultural tariffs will  
9 continue to be impediments to trade here and abroad. A  
10 case in point and of great interest to our company is the  
11 excessively high tariff that the U.S. has imposed on  
12 imports of frozen lemon juice concentrate. The tariff  
13 stands at about 8.13 cents per liter or the equivalent of  
14 about more than 80 percent of the value of the imported  
15 product. U.S. reductions of this tariff during the  
16 Uruguay Round of GATT were, to say the least, minimal.

17           As a result of this high tariff, U.S.  
18 imports of frozen lemon juice concentrate are very small.  
19 In 1998 they totaled some \$8.4 million of which \$6.7  
20 million were paid in duties. Likewise, U.S. exports of

21 this product were only about \$3.7 million. As you can  
22 see, imports and exports of this product are very small.  
23 So my question is, who is the U.S. government trying to  
24 protect? The only ones that lose are U.S. consumers

1 since they have to pay higher prices for lemon and  
2 lemon-flavored drinks.

3           For these reasons, we would respectfully  
4 request that the U.S. eliminate its excessively high  
5 tariff for lemon juice concentrate during the upcoming  
6 WTO negotiations.

7           Yes, on average, we do have some of the  
8 lowest agricultural tariffs in the world. But,  
9 unfortunately, depending on the commodity, we also have  
10 some of the highest. Even the protectionist European  
11 Union with its well-developed frozen lemon juice  
12 concentrate industries in Italy and Spain only impose a  
13 tariff for this commodity at 15 percent ad valorem. This  
14 is small change compared to the U.S. tariff on this  
15 commodity.

16           G.B. International would also like to  
17 recommend that we consider converting all specific tariff  
18 rates that are based on metric tons, such as in the case  
19 of the tariff of lemon juice concentrate, to ad valorem  
20 tariff rates that are based on the percentage of the

21 value of the product. This would make tariffs most

22 transparent and easy for the use of U.S. importers.

23 We understand that international trade is a

24 two-way street. If we want countries around the world to

1 eliminate and reduce their protective tariffs on  
2 agricultural products of interest to us, we must also do  
3 the same. It is our hope that the next round of  
4 multilateral negotiations of the WTO will result in the  
5 elimination of this unfair U.S. and international tariffs  
6 to agricultural trade that only serve to protect a few  
7 special interests here and abroad.

8           Thank you again for the opportunity to  
9 present our views on this important matter for our  
10 company. We look forward to working with our state and  
11 federal officials on this important issue during the  
12 upcoming WTO negotiations. Thank you.

13           UNDER SECRETARY SCHUMACHER: Thank you.

14           MR. CLIFTON: Thank you, Mr. Browne.

15           Now, we'll hear from Mr. Tom Ilvento  
16 from the University of Delaware, Department of Food  
17 Resource and Economics.

18           MR. ILVENTO: Good afternoon, my name is  
19 Tom Ilvento. I'm the Acting Chair of the Food Resource  
20 and Economics Department in the College of Agriculture

21 and Natural Resources. I guess everyone has heard of the  
22 notion that the buck stops here and I'm here to put it in  
23 practice. I'm actually going to report some information  
24 from some of the members of my department who couldn't be

1 here today. I found that's a new role of an acting  
2 chair.

3           In the 1999 Governors Conference of  
4 Delaware Agriculture, Sherrie Barton, Bobby Gempesaw and  
5 Silvia Wyerbrock brought some information and it's  
6 included in the packet about international trade and  
7 agriculture in Delaware. And what I'd like to do is  
8 summarize some of that information and then talk about  
9 some implications or some things we'd like to see in the  
10 phyto from the WTO.

11           I would say that our interests here in  
12 terms of promoting agriculture in general in Delaware,  
13 improving the strength and viability of this industry,  
14 and we hope that all the facets of the industry share in  
15 these benefits, producers, the agri businesses and  
16 ultimately the consumers.

17           Free trade is important in Delaware and  
18 specifically to the agricultural sector. We're a small  
19 state, but we're the 28th largest exporter among all the  
20 states. A good part of this has to do with the chemical

21 industry, but agricultural experts account for 11 percent

22 of that and it's growing rapidly.

23           Just a few figures, and I'm try to keep

24 those to a minimum, but that represented \$147 million in

1 1997, agriculture exports, and that has increased 150  
2 percent since 1990. And it represents one-fifth of total  
3 farm revenue. So an important part.

4           Much of the growth since 1990 has been due  
5 to increased economic vitality and freer trade  
6 environment fostered by things like the Uruguay Round of  
7 the WTO and the NAFTA agreements.

8           For example, during the 1990s, export  
9 growth in Delaware has been fueled by poultry growing  
10 almost 23 percent per year. The gains in poultry meat  
11 trade has been largely generated by increased access to  
12 markets in Russia and China, both which aspire to be  
13 members of the WTO. Also increased trade with Mexico due  
14 to NAFTA.

15           With nearly 70 percent of farm receipts  
16 coming from broilers, Delaware should benefit under the  
17 Uruguay Round as South Korea grants unlimited access for  
18 frozen chicken at a 20% tariff by 2004.

19           We also have important implications for  
20 soybeans, which is our second largest export, where by

21 2000, Japan will reduce its tariffs on soybeans.

22           So, again, with increasing emphasis on free

23 trade among nations, it is expected that international

24 trade will continue to be important in Delaware's

1 economic growth.

2           So what will we ask or what do we need to  
3 consider into the phyto? Here's a couple issues that I'd  
4 like to leave. And I think other people have echoed  
5 these throughout the day.

6           First is effective WTO rules regarding  
7 sanitary, phytosanitary, technical regulations. As we  
8 know, at times, these are used as trade barriers,  
9 particularly trade in meat products and process food  
10 which has been impacted by such regulations. And, for  
11 example, in 1996, we dealt with this particular issue  
12 when Russia threatened to ban poultry imports claiming  
13 that the U.S. poultry meat is unsanitary and unsafe. So  
14 that would be one area.

15           Also, the emergence of biotech-affected WTO  
16 rules regarding genetically modified agricultural  
17 products and foods will increasingly be important as we  
18 move, and we have several initiatives in this state and  
19 in the area of biotechnology. And we'll increasingly  
20 play an important role in the phyto.

21 WTO membership of China and Russia. This  
22 is largely positive for agricultural and food producers  
23 since it will make trade relations more transparent,  
24 forces both countries to adhere to the WTO rules and

1 offers a dispute settlement forum.

2           A further liberalization of trade policy,  
3 we believe, will imply further reduced reduction in  
4 tariffs; increasing of access of markets of various WTO  
5 members; further reduction in two aggregate measures of  
6 support and a move to green-box policies; and finally,  
7 further reduction in export subsidies.

8           And I guess finally I'd say in dealing with  
9 the Office of International Trade, Delaware ag exporters  
10 would be interested in various export credit and export  
11 promotion programs.

12           So I thank you.

13           UNDER SECRETARY SCHUMACHER: I was going to  
14 your 23 percent growth in exports. Is that continuing in  
15 poultry?

16           MR. ILVENTO: I have data to 1997. So  
17 that's between 1990 and 1997.

18           SECRETARY TARBURTON: They're enjoying a  
19 fairly nice situation because premium prices are so, so  
20 low.

21 UNDER SECRETARY SCHUMACHER: Very helpful.

22 We'll look at your paper very carefully. Thank you for

23 taking the time. And thank your colleagues for

24 presenting that analysis.

1 MR. ILVENTO: Thank you.

2 MR. CLIFTON: Thank you very much.

3 Next up, Mr. Logan Brown, New Jersey  
4 Department of Agriculture.

5 MR. BROWN: Good afternoon. I want to  
6 thank our host and distinguished panel for the invitation  
7 to speak here today and reassure my friends in the  
8 audience that there's not going to be a large Jersey  
9 Fresh promotional display dropping from the ceiling or  
10 any large promotional slides displayed.

11 That being said, my name is Logan Brown.  
12 I'm an agricultural marketing specialist for the  
13 New Jersey Department of Agriculture.

14 Others fare more expert than myself in  
15 matters pertaining to sanitary and phytosanitary  
16 relations have already addressed this session. However,  
17 this matter is of such importance that I feel it  
18 necessary to join in the chorus of voices.

19 Whereas legitimate phytosanitary  
20 regulations serve as a valuable tool to regulate the

- 21 safety of imported produce all around the world,
- 22 improperly established and unwarranted phytosanitary
- 23 regulations are one of the greatest concerns facing the
- 24 export of New Jersey agricultural products.

1           More rigorous evaluations need to establish  
2 the legitimacy of phytosanitary standards regulating the  
3 international trade of agricultural products.

4           The following three considerations should  
5 guide the process in determining the legitimacy of  
6 phytosanitary and sanitary standards.

7           One, phytosanitary standards need to be  
8 based on legitimate and biologically defensible claims.

9           Two, phytosanitary standards need to be  
10 risk-based, not merely established based on the ability  
11 to identify or even the ability to measure a potentially  
12 harmful substance or organism.

13           And lastly, we do have to keep in mind that  
14 phytosanitary standards do need to be used but as a  
15 scientific tool to ensure better food safety for all of  
16 the world's trading partners.

17           If phytosanitary standards cannot meet any  
18 of the three above criteria and, in effect, the standards  
19 serve merely a punitive or economically protectionist  
20 function, then they meet the definition of improperly

- 21 established and unwarranted phytosanitary standards.
- 22 Such improperly established and unwarranted phytosanitary
- 23 standards that negatively affect international commerce
- 24 and regulatory products should be adjusted or abolished

1 altogether.

2 Thank you for your time.

3 UNDER SECRETARY SCHUMACHER: Thank you.

4 Give my regards to Mr. Brown. And we appreciate the

5 Jersey Fresh flag not flowing out of the rotunda here.

6 MR. BROWN: They wouldn't let me use the

7 slide.

8 UNDER SECRETARY SCHUMACHER: Just a quick

9 question. How much money has your legislature

10 appropriated for your promotional programs both Jersey

11 Fresh domestic and internationally?

12 MR. BROWN: Currently, we really don't have

13 an international budget. It's limited to supporting

14 New Jersey companies at the food export showcase in

15 Chicago. But domestically, the Jersey Fresh program

16 maintains funding of about between 1.1 and \$1.2 million

17 on average. And it's been sustained at that level for

18 probably 15 to 18 years. So it certainly is an

19 institution, an institution to the taxpayers, legislature

20 and certainly the current governor supports it. And it's

21 been very successful.

22           We actually use it in Canada as well. Of

23 course, my French isn't that good, Jorshay, or something

24 like that is the equivalent. Because about 15 percent of

1 our fresh market production goes to Canada.

2 UNDER SECRETARY SCHUMACHER: Very  
3 interesting.

4 Secretary, I made little mistake when I was  
5 commissioner. I decided I would challenge Massachusetts  
6 and New Jersey to a tomato taste-off in the farmers  
7 market called Green Markets in New York. And we came in  
8 third.

9 MR. BROWN: Not surprising. I know that  
10 some of the --

11 UNDER SECRETARY SCHUMACHER: Truth in  
12 consumer.

13 MR. BROWN: Some of the protocol sellers  
14 aren't interested in handling tomatoes, particularly in  
15 Massachusetts. They think of them as being a inferior  
16 quality product because it's the real thing that is  
17 shipped. So we've got the market here fresh for our  
18 tomatoes.

19 UNDER SECRETARY SCHUMACHER: Thank you very  
20 much.

21 MR. CLIFTON: Thank you, Mr. Brown.

22 Now we'll hear from Mr. Brad Powers from  
23 the Maryland Department of Agriculture.

24 MR. POWERS: Distinguished panelists, let

1 me first thank Secretary Jack Tarburton for facilitating  
2 this opportunity for businesses from our region to  
3 express their concerns about trade negotiations. The  
4 Maryland Secretary of Agriculture Lemey sends his kindest  
5 regards.

6 I'm Brad Powers, Assistant Secretary for  
7 Marketing, Animal Industries and Consumer Services.  
8 Among my responsibilities are domestic and international  
9 marketing, animal health, organic certification,  
10 commodity grading, aquaculture development and an area  
11 that is unusual for most State Department of Agriculture,  
12 seafood marketing. Maryland is a small state, albeit not  
13 as small as Delaware.

14 SECRETARY TARBURTON: You had to put that  
15 in there.

16 MR. POWERS: I had to put that in there,  
17 Jack. Farming is our number one industry. Over 13,000  
18 farms represent \$1.5 billion in cash receipts with an  
19 economic impact on the state of over \$17 billion.  
20 Maryland produces over one million acres of corn and

21 soybeans which help feed Delmarva's 600 million chickens  
22 of which we produce about half. We export over \$271  
23 million in agriculture products representing nearly 20  
24 percent of our farm cash receipts.

1 Maryland's major exports include poultry,  
2 soybeans, feed grains, vegetables and fruits and tobacco.  
3 Up and coming contributors to Maryland exports are  
4 non-food horticulture crops, value-added food products,  
5 organic and aquaculture products.

6 Recently at a Southern Association of State  
7 Departments of Agriculture meeting, the main subject was  
8 loss of profitability among not only small to medium  
9 farms but at all levels in agriculture. This problem has  
10 reached critical proportions with downward spiraling  
11 prices and drought conditions throughout much of our  
12 area.

13 We have heard time and again today that  
14 with our ever-increasing dependency on trade with other  
15 countries, we must seek solutions to tariff and  
16 non-tariff trade barriers. We live in a world today  
17 where it is doubtful that we can identify any consumer  
18 product either that contains one hundred percent all U.S.  
19 ingredients or is not dependent in some way on the  
20 technology or another product either in handling or

21 shipping that's derived from outside our borders.

22           Therefore, while it is a gross

23 oversimplification, we should aim for free access to all

24 markets, both export and import.

1           It's frustrating to continuously hear that  
2 American farmers need to increase production on their  
3 existing acres by 400 percent in the next ten to 20 years  
4 to feed the world population and then be prevented from  
5 doing so in the name of protectionism.

6           As a State Department of Agriculture on the  
7 front porch of Washington, D.C., Maryland has enjoyed a  
8 close working relationship with USDA foreign agriculture  
9 service. We stress the importance of continued  
10 communications during the trade negotiation process so we  
11 can be better equipped to assist businesses at the grass  
12 roots level, thus providing even greater opportunities  
13 for a profitable phyto.

14           However, the message we need to impart the  
15 loudest and clearest to U.S. consumers and elected  
16 officials is that without farmers, there is no food.  
17 Maryland has one of the most effective agricultural land  
18 preservation in the country. But as Louis Riley  
19 frequently said, a profitable farm is the best  
20 preservation program.

21           The move toward free trade over farm  
22 payments espoused by the last farm bill is both noble and  
23 correct. But as long as we cannot create a level playing  
24 field with other countries, our elected officials and

1 representatives and USDA officials need to reexamine this  
2 philosophy. It may be time to try to do it another way.

3 Thank you.

4 MR. CLIFTON: Thank you, Mr. Powers.

5 Now, have we had any other speakers  
6 recognized? Anybody from the desk in here? That's the  
7 last name I have on my list of speakers.

8 Now we move into open dialogue. I'm going  
9 to ask for guidance from the panel on this because I  
10 don't know how open dialogue has worked in the other  
11 sessions. But we'll have a period of open dialogue and  
12 then some statement by Secretary Tarburton.

13 UNDER SECRETARY SCHUMACHER: Well, I think  
14 there were some people who spoke this morning maybe want  
15 to amplify if they wish. Otherwise, we may go right to  
16 the closing statement of Secretary Tarburton.

17 MR. CLIFTON: Any comment, clarification or  
18 amplification on the part of any of our previous  
19 speakers?

20 UNDER SECRETARY SCHUMACHER: Ambassador

21 Baas would like to make a comment.

22 MR. CLIFTON: Certainly.

23 AMBASSADOR BAAS: Thank you. I just want

24 to say a couple things. First of all, as you've heard,

1 this is the last, or one of the two last sessions that  
2 we've had of this nature. There have been 12 of them  
3 around the country. I have been fortunate enough to go  
4 to five of them and I have been struck, as I was saying  
5 to some people at lunch, how some of the themes are very,  
6 very similar. Most of the themes are very, very similar  
7 no matter if you're in Delaware or Florida or Minneapolis  
8 or Sacramento or Richmond or Washington. And some of  
9 those themes, I don't think, will surprise you.

10           Export subsidies, we ought to get rid of  
11 them. State trading enterprises should be regulated.  
12 Harmonization of tariffs. SPS is a very important  
13 agreement and we should seek to preserve and improving  
14 if we can. And so on. Concern about biotechnology and  
15 how our products are treated overseas, etcetera.

16           So this is the beginning of a process and  
17 we are now going to enter into negotiations beginning in  
18 November in Seattle, at the end of November in Seattle.  
19 What we have heard will help us very much as we develop  
20 our positions between now and Seattle. But we'll have a

21 negotiation that will be ongoing for three years or  
22 perhaps even longer and we will need to hear from you  
23 during that period.

24           I think it's very important that you keep

1 in touch with USDA and USTR when you have news, when you  
2 see how things are going. I think the suggestion this  
3 morning that we have another round of this sort of thing  
4 in 18 months or so was a very good one. We need to know  
5 if we're going in the right direction. We need to know  
6 if corn concessions from country X is really worthwhile  
7 paying for, if or if it's not worth anything to you. We  
8 need to know those sorts of things.

9 I would also like to say that this is not  
10 going to be an easy negotiation. Agriculture was not  
11 involved in negotiations up until the Uruguay Round for  
12 very good or at least understandable reasons.  
13 Agriculture in all countries is very, very political.  
14 Farmers vote. Farmers have lots of political clout, as  
15 they do in the United States. It's the same in other  
16 countries. So it's not going to be easy to get these  
17 concessions.

18 And let me just mention a couple things.  
19 Not because I'm taking issue with anything that was said  
20 today. I think I agree with most everything I've heard

21 today. But there's a lot of talk today about a level  
22 playing field, and we all understand what that means.  
23 But I think if there was a similar meeting like this  
24 being held in Europe, you would hear complaints from

1 European farmers that the playing field wasn't level.  
2 That the United States was playing unfairly because we  
3 have extra large farms, because we used our GSM program  
4 to create markets. We used our food aid to create  
5 markets. And we have these large chemical companies that  
6 gave us an advantage in biotech. All sorts of things.  
7 And they would be telling their negotiators that the  
8 first thing to do is level the playing field.

9           Now, I'm not saying that that's right or  
10 wrong. I'm just saying it's a fact of life and one that  
11 we need to deal with.

12           Mrs. Mitchell was very eloquent this  
13 afternoon on the importance of maintaining farming in the  
14 United States and not blacktopping all the farmland.  
15 Well, that's obviously true. At the same time, we hear  
16 something very similar in the European Union which they  
17 call multifunctionality, that the farm is more important  
18 than just farming. It's there because it helps with  
19 avalanche control. It helps with tourism for tourists to  
20 see big fat Swiss cows with nice bells around their neck.

21 It's important for cultural reasons.

22           Again, this is an issue we're going to hear

23 very much from our negotiating partners or opponents, or

24 call them what you want. And so it's one that is hard

1 for us to deal with when we're sitting on the side of the  
2 negotiating table.

3           So, again, I'm not taking issue with  
4 anything that we've heard here today. I think they are  
5 very good issues that have been raised and we will need  
6 your support as we enter into what will be a very  
7 difficult negotiation.

8           And I want to thank everyone for coming  
9 today. Thank you.

10           MR. CLIFTON: Any other comments from the  
11 panel?

12           Just one brief comment from myself. I  
13 think that the idea of having a follow-up session or  
14 mid-term session, whatever you want to call it, a couple  
15 years from now would be an excellent idea. We also have  
16 a resource which the Under Secretary is very aware as  
17 another sounding board in the interim. And that is our  
18 network of state committee members and county committee  
19 members. We have with us over on this side state  
20 directors and state committee members from the states of

21 Maryland, Pennsylvania and Virginia. Would you please

22 stand quickly?

23 UNDER SECRETARY SCHUMACHER: Just tell us

24 who they are and what state they're from him.

1 (Various people were introduced at this  
2 time.)

3 UNDER SECRETARY SCHUMACHER: Thank you very  
4 much. I think it's very helpful because farmers have  
5 concerns that our state committee represents the  
6 administration as are the state executive directors. And  
7 the women and men that represent the president at the  
8 county and state level have been counseling us on issues  
9 that they see more than just domestically.

10 So I'm very proud and very pleased that the  
11 state committeemen and state executive directors have  
12 come, some from very long. You know, southern Virginia  
13 is almost as far as northern Maine. And we wish you a  
14 safe drive back.

15 MR. CLIFTON: And as you know, they're  
16 always willing to speak their mind every time you ask  
17 them a question.

18 UNDER SECRETARY SCHUMACHER: They do,  
19 indeed.

20 MR. CLIFTON: With that, I'll turn the

21 program back over to Delaware Agriculture Department

22 Secretary.

23           SECRETARY TARBURTON: I get to brag a

24 little bit, too, because there's quite a few members of

1 my staff in here that haven't been introduced. First  
2 one, Deputy Susan Edwards is here and has been here all  
3 day. Dr. Wes Towers, the state veterinarian. And while  
4 you're up, Doc, we haven't discussed anything today about  
5 movement of live animals or movement of reproductive  
6 materials such as in vitro either eggs or semen. Are  
7 there any issues that you think ought to be addressed for  
8 the WTO listeners?

9 DR. TOWERS: I was reluctant to come and be  
10 a speaker today because it seems that we were cautioned  
11 by some people in USDA that there were some issues that  
12 they had negotiated in the previous rounds that they  
13 would like to address more quietly and that these kinds  
14 of things should not be brought out in public forum.  
15 They would rather that we deal veterinarian to  
16 veterinarian kind of like we did when the Russians almost  
17 cut off our chicken exports. There were several of us  
18 that went to Washington and talked specific disease  
19 issues from veterinarian to veterinarian.

20 So, yes, there are many issues that we're

21 afraid of. I noticed you asked Don if there were things  
22 that he was afraid of as he was driving down the road.  
23 We're very concerned in this day of increased efficiency  
24 of transportation, so on and so on. There are many viral

1 diseases that could be brought into our country on meat  
2 products, not really so much live animals, but meat  
3 products.

4 SECRETARY TARBURTON:

5 Sanitary/phytosanitary issues.

6 DR. TOWERS: Right.

7 SECRETARY TARBURTON: Dr. Towers is also  
8 the former president of the United States Animal Health  
9 Association. So if you have any further questions for  
10 him, I'm sure he'll be here after the meeting.

11 Our state statistician Tom Furor is here as  
12 well. Tom, thank you. Thank you for participating.

13 From the University of Delaware, there's  
14 some folks here that deserve to be introduced. Dr. Bob  
15 Gamsole has been in the audience. If he is still here,  
16 the new, what do you call it, Vice Provost? What's the  
17 proper term?

18 Dr. Pat Barber is here, associate Dean for  
19 the Risk Extension. And when you get to doing this, you  
20 already forget some.

21 Dr. Nye, should anybody else be recognized?

22 SECRETARY TARBURTON: I wanted to -- did

23 Rob Rich get recognized from Virginia?

24 MR. RICH: I'm right here.

1           SECRETARY TARBURTON: Carlton decided he  
2 didn't need to chat with us this morning, but Robert Rich  
3 is here from the Virginia Department of Agriculture.

4           Tom Keeley. Did I pronounce your name  
5 correctly?

6           MR. KEELER: Tim Keeler.

7           SECRETARY TARBURTON: I'm sorry. Bill  
8 Roth's person who's here and Debbie Parkowski is here,  
9 member of the Delaware Economic Development Office.  
10 Thank you very much for spending all day with us, Deb.

11           As former president of the National  
12 Association of State Departments of Agriculture and  
13 currently the chair of the International Trade Committee,  
14 I had several things to read from our own policy  
15 regarding international trade. However, they've all been  
16 stated. So I'll just make my paper as a matter of  
17 record. There's really no use repeating that, in my  
18 opinion.

19           So I'll just wrap up with the meaning to  
20 Delaware from my own point of view. And I'll start out

21 by what I introduced you to this morning. More than 20  
22 percent of Delaware's cash flow from agriculture is a  
23 direct result of exports. So exporting activity is  
24 extremely important to us. And so when something happens

1 such as the loss of the economic dollars, the economic  
2 opportunity in southeast Asia, that hit us pretty hard.

3           And I would remind the panel that most of  
4 Delaware's product is value added. While we do ship some  
5 soybeans, poultry, we're in the import area for corn. So  
6 we get to enjoy a plus base for most of our grain  
7 production. So we're a value adder and that means lots  
8 of jobs.

9           It's a troubling situation here on the  
10 shore. The poultry industry contributes about \$1.5  
11 billion to the economy of the Delmarva peninsula. So  
12 it's critical to Delmarva that progress toward granting  
13 access for poultry products is obtained.

14           It's also critical to us to institute a  
15 process for resolution of GMO concerns. And I was very  
16 pleased to read Secretary Glickman's speech that he is  
17 forming a scientific committee to further investigate GMO  
18 issues and concerns and to arrive at some conclusions.  
19 Obviously, we're already feeding round-up ready soybeans  
20 to our poultry. There's no way you can separate this

21 stuff.

22           We have requested plant breeders to modify

23 corn so that phosphorus in the grain will become more

24 available to poultry. Right now, poultry's a lousy

1 converter of phosphorus. And so a lot of that phosphorus  
2 goes in one end and goes out the other. In fact, in  
3 order to ensure bone structure of the bird, we have to  
4 add phosphorus to the feed. So if we can genetically  
5 modify corn to make it more available to the bird, we  
6 won't have to add phosphorus to the feed. We'll have  
7 less coming out the back end and hopefully reduce  
8 citizens' concern about critters like physteria. So  
9 that's where I'm coming from there.

10           But if the European Union decides that we  
11 can't ship poultry to any of their 16 countries because  
12 they've been fed both corn and soybeans, both of which  
13 are genetically modified, we're in a heap of trouble. So  
14 frankly, I'm reluctant to go out there and really jump on  
15 this GMO bandwagon until we have arrived at some  
16 conclusions. So that's my concern about the politics of  
17 GMOs.

18           So I want to thank the panel, Gus, as  
19 always, my good friend. I appreciate your taking the  
20 time to come down here. Teresa, it's been great to meet

21 you and I've enjoyed the comments that you've had in the  
22 form of questions. And Mark, I appreciate the  
23 opportunity, again, of meeting you, particularly  
24 appreciate your insights into questions that I heard you

ask of our panelists.

And finally, panelists, I do appreciate the time that you've taken to come from the five surrounding states. And the people, the group from D.C., thanks for getting on the bus so early this morning. I hope you've learned a little bit here. And I want to thank you all so very much.

Thanks again to the University of Delaware for supplying the facilities.

Is there anything more to be said here? If not, as soon as you walk out that door, you're going to get a blast of heat. You'll find out how good the air-conditioning has been in here. Thank you so very much for attending. Have a safe drive home. Enjoy your week.

(The listening session was concluded at 1:59 p.m.)

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State of Delaware    )  
                                  )  
County of New Castle )

C E R T I F I C A T E

I, Annette Pacheco, Registered Professional Reporter and Notary Public, do hereby certify that the foregoing record, pages 1 to 162, inclusive, is a true and accurate transcript of my stenographic notes taken on July 23, 1999, in the above-captioned matter before the Bankruptcy Court.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 29th day of September, 1999, at Wilmington.

ANNETTE PACHECO,  
Notary Public-Reporter

